



## DEPARTMENT OF AGRICULTURE

### Economic Research Service

#### Notice of Intent to Request New Information Collection

**AGENCY:** Economic Research Service, USDA.

**ACTION:** Notice and request for comments.

**SUMMARY:** In accordance with the Paperwork Reduction Act of 1995 and Office of Management and Budget (OMB) implementing regulations, the U.S. Department of Agriculture Economic Research Service (ERS) invites the general public and other Federal agencies to take this opportunity to comment on a proposed new information collection for a study of “Conservation Auction Behavior: Effects of Default Offers and Score Updating.”

**DATES:** Written comments on this notice must be received on or before [INSERT DATE 60 DAYS AFTER PUBLICATION IN THE FEDERAL REGISTER] to be assured of consideration.

**ADDRESSES:** Address all comments concerning this notice to Steven Wallander, Rural and Resource Economics Division, Economic Research Service, U.S. Department of Agriculture, 1400 Independence Ave. SW., Mail Stop 1800, Washington DC 20250-0002. Submit electronic comments to [steve.wallander@usda.gov](mailto:steve.wallander@usda.gov).

All written comments will be available for public inspection during regular business hours (8:30 a.m. to 5:00 p.m. (Eastern time), Monday through Friday). To arrange access to the comments, contact Steven Wallander at the e-mail address listed above.

All responses to this notice will be summarized and included in the request for Office of Management and Budget approval. All comments and replies will be a matter of public record. Comments are invited on: (a) Whether the proposed collection of information is necessary for the proper performance of the functions of the agency, including whether the information shall have practical utility; (b) the accuracy of the agency's estimate of the burden of the proposed

collection of information, including the validity of the methodology and assumptions used; (c) ways to enhance the quality, utility, and clarity of the information to be collected; and (d) ways to minimize the burden of the collection of information on those who are to respond, including use of appropriate automated, electronic, mechanical, or other technological collection techniques or other forms of information technology.

**FOR FURTHER INFORMATION CONTACT:** For further information contact Steven Wallander at the mailing address listed above or by phone: (202) 694-5546.

**SUPPLEMENTARY INFORMATION:**

**Title:** Conservation Auction Behavior: Effects of Default Offers and Score Updating.

**OMB Number:** To be assigned by OMB.

**Expiration Date:** Three years from approval date.

**Type of Request:** New information collection.

**Abstract:** In accordance with the Paperwork Reduction Act of 1995 (Pub. L. 104-12) and OMB regulations at 5 CFR part 1320 (60 FR 44978, August 29, 1995), this notice announces USDA Economic Research Services' intention to request approval from the Office of Management and Budget (OMB) for a new data collection effort.

This data collection will use an online simulated auction experiment with former participants in the USDA Conservation Reserve Program (CRP) general signup and university students to (1) study the anchoring effect of using a high-scoring default offer in the CRP enrollment software rather than an active-choice default, and (2) study how the timing of information about final ranking score in the software influences responsive to baseline ranking scores. Outputs for the experiment will be used to inform potential updates to the CRP software and enrollment software as well as future lab experiments on general conservation auctions.

USDA's Conservation Reserve Program (CRP) enrolls environmentally sensitive cropland in long-term contracts. Enrolled landowners receive annual rental payments for establishing the approved conservation vegetative cover and not farming the land. Most land is

enrolled through the CRP General Signup, a multi-unit, sealed-bid, reverse auction. Offers are ranked on both quality and price. Participants can increase the probability that their offer is accepted by agreeing to a higher quality conservation cover practice or lowering their asking price (annual payment). By encouraging better practices and lower payments, the auction design improves the cost effectiveness of the CRP.

The CRP general signup is a fairly complex decision environment in which participants must decide whether to select one of several dozen possible higher cost but higher scoring practices and whether to ask for lower annual rental payments in order to increase the likely that their offer is accepted into the program. A larger literature in other domains finds that in complex decision environments the initial option presented can have a significant anchoring effect in which final choices are closer to that default option than they would be otherwise. The current CRP general signup software uses an “active choice” default, in which the cover practice and annual rental choices are initially blank. Additional literature on complex decision-making environments finds that the way in which information is provided can influence outcome. The current CRP general signup software provides participants with their ranking score at the end of a series of offer selection screens. Providing live updating of that score earlier in the software could make respondents more sensitive to the underlying program incentives.

Using a stylized version of the enrollment software to create a simulated (artefactual) CRP auction, the study will experimentally test the impacts on final practice and payment offers from two behavioral interventions: (i) a high-quality default starting offer; and (ii) live updates on the offer score at the point of offer selection. In addition, to assess the external validity (generalizability) of conducting experiments with students, a common practice in the literature on conservation auction design, this study will run the experiment with both a sample of university students (drawn from the full population of undergraduate and graduate students at the University of Delaware) and a sample of former participants in the General Signup to test whether the two populations respond differently to the behavioral interventions.

The information to be collected in this proposed initiative is necessary to test the expected behavioral responses to these changes in the auction information environment. Such responses cannot be estimated using observational data because there is not systematic variation in the information environment. In addition, such responses cannot be estimated using mathematical programming models because the underlying psychological drivers of anchoring effects are highly context specific. By using experiments, we will be able to identify whether the effects observed in other complex decision-making environments are also likely in the context of a large conservation auction like the CRP. We plan to use these experiments to inform possible future redesigns of the CRP general signup software and enrollment process by the Farm Service Agency (FSA), future experiments using simulated conservation auctions, and the overall effort to extrapolated from the larger literature on conservation auction experiments that relied primarily on students as subjects.

Participation in this experiment will be voluntary, and subjects will be recruited using multiple waves of mail and email communications. During each session, subjects will participate in four rounds of a conservation auction: one practice round and three actual rounds. Within each round, subjects will be assigned a different field for potential enrollment and, based on the characteristics of that field, will make a decision about which conservation cover practice to select and what annual rental payment to ask for. Sessions will be conducted using an on-line auction portal developed by the University of Delaware. Participants can sign into the webpage and make their offers at any point during a two-week enrollment period. Recruitment will occur in multiple waves until the required number of subjects is met.

Each session will last for an average 30 minutes, including watching an introductory video that explains the auction rules and software. Subjects will receive a show-up fee of \$10. In addition to the show-up fee, subjects will receive compensation based on the decisions they make during the course of the experiment. After the enrollment period for each recruitment wave closes, one of the three auction rounds will be randomly selected and the highest-ranking

offers will be “accepted” and receive a virtual payment. The number of winning offers will depend upon the complete pool of bids. Higher quality and lower cost offers will be more likely to get accepted but will receive lower payments if they are accepted. Payment levels are higher for the farmer population than for the student population since the lower level of incentives for students is one of the major reasons that many conservation auction studies use only a student population. We expect the winning bids to receive an average of \$40 for farmers and \$15 for students, not including the show-up fee. In designing our experimental procedures and payment levels, we took into consideration academic standards, statistical power considerations, budgetary limitations, and discussions between OMB and ERS regarding this and other approved experimental research.

**Authority:** These data will be collected under the legal authority of 7 U.S.C. 2204(a).

ERS intends to protect respondent information under the Privacy Act of 1974 and 7 U.S.C. 2276. ERS has decided not to invoke the Confidential Information Protection and Statistical Efficiency Act of 2002 (CIPSEA). The complexity and cost necessary to invoke CIPSEA is not justified given the nature of the collection; the collection will be conducted by the University of Delaware and hosted in non-government owned computer systems, where CIPSEA compliance cannot be assured.

**Affected Public:** Half of the respondents will be farmers or farmland owners who previously participated in at least one CRP general signup. The other half will be students at the University of Delaware. **Estimated Number of Respondents and Respondent Burden:** Since recruitment will occur through multiple waves to reach the target number of participants, the total respondent burden for participation time will be constant and the total respondent burden for recruitment will depend upon the participation rate. Under lower participation rates, the respondent burden of recruitment is higher. Since students will be recruited through email and farmers will be recruited through mail, the burden per subject for recruitment is slightly lower (3

minutes) for students than for farmers (5 minutes). For all subjects who opt to participate, the expected time to complete the experiment online is 30 minutes.

Under a conservative assumption that the participation rate will be 10 percent of the sampled population for farmers and 25 percent of the sampled population for students, the public respondent burden for this information collection is estimated to be 2,033 hours. The calculations are shown in the table below based on a sample of 10,000 farmers that results in 1,000 farmer participants and a sample of 4,000 students that results in a sample of 1,000 student participants. At higher participation rates of 20 percent for farmers and 33 percent for students, the total respondent burden would be 1,567 hours.

Sample Burden Hours: 10% response rate for farmers, 25% response rate for students

	Sample Size	Count	Responses		Non-Response		Total Burden Hours	
			Minutes / Response	Subtotal Burden Hours	Count	Subtotal Burden Hours		
<b>Farmer Population</b>								
Recruitment	10,000	1,000	5	83.3	9,000	5	750.0	833.3
Participation		1,000	30	500.0				500.0
Total								1,333.3
<b>Student Population</b>								
Recruitment	4,000	1,000	3	50.0	3,000	3	150.0	200.0
Participation		1,000	30	500.0				500.0
Total								700.0
<b>Total Both Populations</b>								<b>2,033.3</b>

**Comments:** Comments are invited on: (a) Whether the proposed collection of information is necessary for the proper performance of the functions of the Agency, including whether the information will have practical utility; (b) the accuracy of the Agency's estimate of the burden of the proposed collection of information, including the validity of the methodology and assumptions used; (c) ways to enhance the quality, utility, and clarity of the information to be collected; (d) ways to minimize the burden of the collection of information on those who are

to respond, including through the use of appropriate automated, electronic, mechanical, or other technological collection techniques or other forms of information technology. Comments should be sent to the address in the preamble. All responses to this notice will be summarized and included in the request for OMB approval. All comments will also become a matter of public record.

Spiro Stefanou,  
Administrator, Economic Research Service.

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