

DISCUSSION

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The development and implementation of the USDA Farm Costs and Returns Survey (FCRS) represents a major accomplishment in balancing the need for economic information with the difficulty of collecting financial statistics. For many years agricultural economists have complained about the lack of data concerning the financial characteristics of U.S. farmers. Agricultural statisticians, meanwhile, have been reluctant to get involved in surveys which require the collection of data deemed by farmers to be highly sensitive and/or personal in nature. The sensitivity of the subject matter amplifies survey problems of non-response, outliers, and identification of sample units. The fact that the USDA Farm Costs and Returns Survey has been implemented demonstrates that economists and statisticians can indeed work together to overcome long-standing problems to address critical policy issues.

Johnson, Baum and Prescott have prepared an excellent paper documenting the development and implementation of a major nationwide survey of the economic and financial conditions in the farm sector. Thorp provides a comprehensive assessment of problems and errors associated with the collection of economic and financial data. I will not attempt to summarize their papers, nor prioritize the important points. Instead, for discussion purposes, I would like to comment on four issues raised by these two papers.

1. The Necessity of Cooperation, Understanding and Tradeoffs. The USDA development and implementation of the FCRS is an excellent case study in how data users and data providers must interact. For a large-scale and complex data collection effort to be successful it is essential for the data collectors to fully understand the need for the data and for the economist to recognize the difficulty and limitations of collecting data. Collecting financial data from farmers is no easy task. All the non-sampling errors cited by Thorp can easily be exaggerated when collecting sensitive data such as financial information. For many farms, the financial situation of the farm business is inseparable from the financial condition of the farm household. Farmers, and other data providers, are understandably reluctant to provide this type of information when they do not know the purpose. In order for the farmer to understand the need for the data, the enumerator must also understand. For the enumerator to

understand, the data collection agency must understand. One reason for the success of the FCRS is the high level of interaction between the Economic Research Service (ERS) and the Statistical Reporting Service (SRS) throughout the development and data collection phases of the survey.

Understanding and cooperation is a two-way street. The high level of interaction between ERS and SRS was no doubt a factor in developing more realistic expectations by the economists. Economists probably have a tendency to underestimate the difficulty of collecting sensitive data and the problems of respondent burden and non-response. Involving the economist in the field-testing phase and the national enumerator training schools certainly gives the economist some added perspective and appreciation for the difficulty of data collection. This insight is particularly valuable in this case, where the survey is conducted every year, since improvements can be made over time.

2. The Need for Additional Farm Sector Economics Data for Policy Analyses.

Johnson, Baum and Prescott distinguish policy and program analysis, but the paper tends to under-emphasize the need for data now available from the FCRS in both policy and program analysis. This year new legislation will be enacted which will form the basis for U.S. agricultural policy into the 1990's. Current farm programs have their roots in the 1930's, when most farms were small and homogeneous. U.S. agriculture has changed, but farm policies have changed little. The result has been distortions in the market, surplus production, a loss of U.S. export markets and huge government costs. At least part of the reason for little change in government programs over the years is that the public perception of U.S. agriculture has probably not changed that much. One reason for this is that the framework for official USDA statistics describing economic and financial conditions in the farm sector have changed very little since the 1940's. The increasing diversity of farming reduces the usefulness of aggregate and average indicators. According to the latest USDA Agricultural Outlook report, net cash farm income in 1985 will total \$37-\$40 billion compared with \$40 billion in 1984. As an aggregate indicator this may be interesting information, but not particularly useful for policy analysis. This aggregate figure tells us very little about the economic health

and well-being of different types and sizes of farms in different regions of the country. In 1983, for example, USDA estimated net cash farm income at \$16,900 per farm. The variability of net income by type of farm was substantial, however, ranging from over \$91,000 per farm for vegetable and melon farms to \$3,560 for farms which predominately produce cattle, hogs and sheep. When policy makers meet to discuss farm price supports and income subsidies they should be aware of distributional data which tell us, for example, that the average dairy farm has a net cash income about 4 times higher than the average livestock farm and the average net cash income of cotton farms is nearly 3 times higher than the average income of cash grain farms.

3. The Cost and Value of Data Collected in the FCRS. Neither paper addresses the issue of the value of information received from the FCRS and whether this data is worth the substantial cost of this survey. Economists tend to view the value of data in terms of research needs while statisticians often view the cost of a survey in terms of respondent burden. It would be a worthwhile exercise to explore the public costs and benefits of a survey such as the FCRS relative to the overall costs to society of farm programs. For example, more information about the economic health and well-being of the various groups of farms would help to target farm program benefits to those specific groups of farms with a particular need. Investing in the farm sector data base to further understand the needs and problems of particular groups of farms could result in tremendous savings in farm program costs to the extent programs could be targeted to specific needs. An additional \$1 million expenditure on data collection is

small relative to the \$11.5 billion of government outlays for farm programs in 1984. It should be noted here that some special interests will resist the effort to collect and report more data concerning the distributional aspects of farm sector financial conditions for fear of losing some benefits. Policymakers may also be less than enthusiastic about additional data regarding the distribution of farm income because it makes their job much more difficult and farm programs will tend to become more complex.

4. Future Problems of Non-Response. Thorp points out early in his paper the problem of non-response. While this is an issue with all surveys, it is particularly a concern with the FCRS because of its length, complexity and sensitivity. These concerns likely will increase over time. Non-response could even be a threat to the long-run viability of the FCRS. While the data has substantial value to researchers and public policymakers, the value to the individual farmer is probably negligible or even negative. Public relations, communication with farmers and emphasizing the public need for the data will help, but the farmer will always be a reluctant participant in a long survey of his personal financial situation conducted by the government. Johnson, Baum and Prescott mention the need to monitor questionnaire length, but perhaps underestimate the importance of this. Over time, the pressure will be to lengthen the survey. As new issues emerge, researchers look for opportunities to add questions to existing surveys, but are reluctant to give up any data for fear of discontinuing a historical series. This tendency must be resisted and the survey should be continuously reviewed for opportunities to shorten and simplify.