

**Research Poster from the**  
***Linking Environment and Agriculture Research Network (LEARN)***  
***Enabling Research for a Competitive Agriculture***



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**Abstract LEARN-02**

**Incorporating Risk into Conservation Auctions**

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Reverse auctions are an alternative to traditional government programs which attempt to encourage provision of environmentally beneficial goods and services from agricultural producers. There are few practical applications of reverse auctions in Canada. This project aims to add to the understanding of reverse auctions for the provision of BMPs by incorporating cost risk into the auctions. A set of laboratory experiments was conducted to test the effects of risk and uncertainty on participation in the auctions and on bid levels. Auctions were either “risky” or non-risky and subjects were informed what potential variance of risk they face. The experiments were set up as a two by two design; costs could vary by up to 15% or 30% and “risky” periods of the auction would either happen before or after the non-risk periods. Participation levels were very high as in past experimental auctions of the same nature and were not affected by increased risk in cost differences. Bid levels were higher during “risky” rounds. As theory suggests, risk adverse individuals tend to bid closer to their costs in order to have their bid accepted.

***Growing Canada's Agricultural Economy: The Role of Trade***  
***3rd Annual Canadian Agriculture Policy Conference***  
**January 23-25, 2013**  
**Ottawa, Canada**