

POLICIES & REGULATIONS FOR A THRIVING CANADIAN AGRIFOOD SYSTEM

Fourth Annual Canadian Agri-Food Policy Conference

JANUARY 29-31, 2014 • CHÂTEAU LAURIER • OTTAWA, ON

Poster 10

BIDDING STRATEGIES IN SEQUENTIAL AUCTIONS

Rebecca Elskamp and Alan Ker
University of Guelph

The purpose of this study is to estimate the impact of releasing information regarding successful and unsuccessful bids on bidding strategies in a sequential auction setting. In this study, we use data from the Ontario dairy quota auction to test three hypotheses regarding bidding behaviour: 1) do bidders update their bidding strategy between auctions?; 2) is the updated bidding strategy more (less) aggressive given the bidder lost (won) in the previous auction?; and 3) does the effect of previous losses on aggressive bidding strategy increase as the number of losses increase? The uniqueness of this study directly results from the quality of the data set. The high frequency of the auctions and the rich variation in the producer specific attributes allows for a thorough analysis of bidding behaviour. The Ontario Milk Marketing Board (i.e., Dairy Farmers of Ontario (DFO)) may find the results of this study useful for multiple reasons. Firstly, the DFO will be able to use the results of this analysis to better understand the role aggressive bidding strategies may have had on the recent appreciation of quota to values. Secondly, an important aspect of this study is that it identifies bidding strategies of successful bidders. By informing producers of successful bidding strategies, the DFO may be able to improve the success rate of auction participation, reduce competitive bidding among rival bidders and prevent similar rises in quota values. Furthermore, the scope of this analysis extends to other provincial milk marketing boards that have experienced similar appreciation in quota values (i.e., Manitoba, Quebec) and have taken steps to reduce its value.