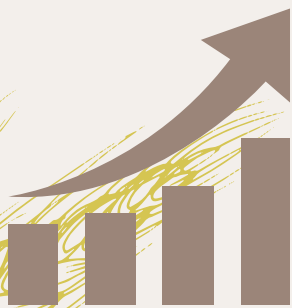


# What is a reverse auction?

- A reverse auction is a funding allocation method wherein applicants submit competitive bids. In the case of EFAO's Small Grains Program, bids are in \$/acre.
- Once the intake closes, all bids are ranked from lowest amount to highest.
- The auction has a total funding budget. The lowest bid is funded first, and then the second lowest, and so on, until all funds in the auction budget are allocated.

## A Simple Example (not representative of actual bids)



Step 1: Farmers Submit Bids

**Farmer A bids \$4/acre for 5 acres**

**Farmer B bids \$2/acre for 10 acres**

**Farmer C bids \$5/acre for 1 acre**

**Farmer D bids \$3/acre for 2 acres**

Step 2: Bids are ranked by \$/acre from low to high:

**Farmer B bids \$2/acre for 10 acres = \$20**

**Farmer D bids \$3/acre for 2 acres = \$6**

**Farmer A bids \$4/acre for 5 acres = \$20**

**Farmer C bids \$5/acre for 1 acre = \$5**

**Total bids = \$51**

**Auction budget = \$30**

Step 3: Funding is allocated

**With an auction budget of \$30, farmers B & D would be funded, and farmers A & C would not.**

# How do I select a bid?

When deciding how much to bid, consider these factors:

- **Your expected costs associated with planting the small grain;**
- **Your expected costs associated with including the legume cover crop;**
- **Your predicted revenue from the small grain and legume cover crop;**
- **The value of the rotational and ecological benefit of diversifying your rotation;**
- **The amount of “buffer” or “risk mitigation” you seek from a funded bid - think about an amount that would make you feel motivated and safe to adopt the practice.**

**Note: Your bid is not meant to be representative of your total cost of production. If you're really stuck, think about what a typical cost-share program might provide.**