

# **Post-season pricing as a mechanism for risk sharing: Evidences from controlled laboratory experiments on Bristol Bay sockeye salmon ex-vessel market**

## **Abstract**

Post-season pricing mechanism, where buyers determine prices paid to sellers after product delivery and realization of uncertainties, can be perceived as a mechanism which facilitates collusion. Post-season pricing essentially provides a channel for information sharing on price, which may incentivize buyers to maintain low price offers. However, we argue that post-season pricing allows processors to observe realized uncertainties prior to a price commitment. This allows buyers to transfer part of the risks to sellers and in return sellers obtain higher average prices. Price-at-landing, an alternative pricing mechanism, involves buyers and sellers determining prices prior to realization of uncertainties and product delivery. Treating price-at-landing mechanism as a benchmark, collusion would suggest that the order of the price levels between two pricing mechanisms remain the same regardless of whether there is a risk in the market. Risk-sharing would suggest a reverse in the order with an introduction of risk. We conduct controlled laboratory experiment using Bristol Bay sockeye salmon fishery as a case study. We find that prices offered by buyers are lower (higher) under post-season pricing relative to price-at-landing under certainty (uncertainty) condition. We also demonstrate the need for buyers to be competitive under post-season pricing to maintain future market product shares by comparing repeated interaction with one-shot post-season pricing.

*Key words: Post-season pricing mechanism, price-at-landing mechanism, risk sharing, laboratory experiment, Bristol Bay*

***Authors: Christopher Anderson and Yun-Ling Jocelyn Wang***