Abstract: In April 2000, the Georgia legislature passed a law requiring that the state use an unspecified “auction-like process” to pay some farmers to suspend irrigation in declared drought years. In response, we conducted a series of experiments that tested a variety of auction procedures. This paper reports the results of the laboratory and field experiments that were used by policy makers who determined the auction procedures. The results of these experiments are compared with farmers’ bidding behavior in the state-run irrigation auction conducted in March 2001.