

TRANSACTION GUIDE FOR HEDGING TRANSACTIONS¹⁹

Transactions	Classification
Sale of commodity contract (short position) by commodity producer	
Just before planting the crop	Hedging
While crop is growing	Hedging
After crop is sold	Speculation
Purchase of commodity contract (long position) by commodity producer	
Just before planting the crop	Speculation
While crop is growing	Speculation
After crop is sold (store-on-the-board transaction)	Speculation
Purchase of put option (right to sell) by commodity producer	
Just before planting the crop	Hedging
While crop is growing	Hedging
After crop is sold	Speculation
Purchase of call option (right to buy) by commodity producer	
Just before planting the crop	Speculation
While crop is growing	Speculation
After crop is sold	Speculation
Sale of commodity contract (short position) by commodity user	Speculation
Purchase of commodity contract (long position) by commodity user	Hedging
Purchase of put option (right to sell) by commodity user	Speculation
Purchase of call option (right to buy) by commodity user	Hedging
Reversing transaction (commodity market position) to reduce business risk	Hedging
Multiple commodity transactions during growing season — all part of a program that reduces risk	Hedging
Partial risk reduction	Hedging
Hedging price support payments	Hedging

¹⁹ Reproduced with permission from the 69th annual Bloethe Tax School manual, p. I-45.