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Why Do Hedgers Trade So Much?

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Abstract:

Futures positions of commercial hedgers in wheat, corn, soybeans and cotton fluctuate much more than expected output. Hedgers' short positions are positively correlated with price changes. Together, these observations raise doubt about the common practice of categorically classifying trading by hedgers as hedging while trading by speculators as speculation, as hedgers frequently change their futures positions over time for reasons unrelated to output fluctuations, arguably a form of speculation.

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