# Marketing, Speculation and TAPS

The TAPS corn and sorghum contests objectives have always been one to help producers to test out new ideas, technology and methods. These contests bring out the competitive spirit and as such provide incentive for participants to be creative and relentless in their pursuit of profit and efficiency. While speculation is a part of real life it is a separate enterprise and business aside from the farming operation. Therefore, forward pricing, hedging and various other price protecting market tools are legitimate, useful and expected ways to compete in all contests. However activities that are speculative, (See definitions below) i.e. entered into as tools which in of themselves make a profit without any direct connection to risk mitigation, production or are justifiably part of a sound marketing scheme are grounds for disqualification. Disqualification for speculation may occur at any time during or after the contest and is the sole decision of the TAPS Executive Board. If anyone has any questions about a marketing choice or action and whether it is speculative in nature, contact the program director or a member of the executive board. Better to get approval than to ask forgiveness. Good luck in your marketing efforts.

Speculation definition info

## What is Speculation?

*https://www.investopedia.com/terms/s/speculation.asp*

Speculation refers to the act of conducting a financial transaction that has substantial risk of losing value but also holds the expectation of a significant gain or other major value. With speculation, the risk of loss is more than offset by the possibility of a substantial gain or other recompense.

The following information captures the spirit of what a speculative action verses legitimate grain pricing schemes, action or tool might be.

## Hedging vs. Speculation: An Overview

*Words in red and quotation marks were added and replaced the word securities.*

*https://www.investopedia.com/ask/answers/difference-between-hedging-and-speculation/*

Speculators and hedgers are different terms that describe traders and investors. Speculation involves trying to make a profit from a "commodities" price change, whereas hedging attempts to reduce the amount of risk, or volatility, associated with a "commodities" price change.

Hedging involves taking an offsetting position in a derivative in order to balance any gains and losses to the underlying asset. Hedging attempts to eliminate the volatility associated with the price of an asset by taking offsetting positions contrary to what the investor currently has. The main purpose of speculation, on the other hand, is to profit from betting on the direction in which an asset will be moving.

## Key Takeaways

- Hedging tries to cut the amount of risk or volatility connected with a change in the price of a *"commodity"*.
- Speculation concerns attempting to make a profit from a *"commodities"* price change and is more vulnerable to market fluctuations.
- Hedgers are seen as risk-averse and speculators as risk-lovers.