In a seminal article, Sandmo (1971) showed that when faced with a risky output price, a risk-averse producer would in theory hedge against price risk by producing less than she would if she instead had been faced with a certain price equal to the mean of the risky price distribution. A number of policy instruments—for instance, administrative pricing, buffer stocks, marketing boards, and variable tariffs—as well as a substantial amount of research contributions are predicated on the idea that producers dislike price volatility. We test Sandmo's prediction experimentally, both in the lab with US college students and in the field with Peruvian farmers. We find no support for Sandmo's prediction, either in the restricted sample of risk-averse subjects when eliciting our subjects' risk preferences by way of Holt and Laury's (2002) list experiment, or in the whole sample. Moreover, we find that our subjects increase their production in response to price risk at the extensive margin but decrease it in response to price risk at the intensive margin. Looking at alternative explanations for our subjects' behavior, we find no support for the safety-first decision criterion or for the hypothesis that our subjects maximize expected profit rather than expected utility, but we find evidence in support of prospect theory.