April , 2026

Mr. Christopher Kirkpatrick
Secretary of the Commission
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street NW
Washington, DC 20581

Via Electronic Submission

Re: Advance Notice of Proposed Rulemaking; Request for Comments on Prediction Markets

Dear Mr. Kirkpatrick,

The undersigned organizations appreciate the opportunity to respond to the Commodity Futures Trading Commission's (CFTC or Commission) request for comment regarding the appropriate regulations for event contract derivatives traded on prediction markets.

As agricultural industry trade associations, we have numerous concerns that novel market structures or product offerings on prediction market platforms might have unintended impacts on the trading of agricultural derivatives on traditional platforms. Given that derivatives markets originated for the express purpose of addressing the risk management needs of agricultural producers, merchants, processors, and other industry participants, any new market structure or novel agricultural contracts should begin with industry engagement and consider the perspectives and concerns of the agricultural industry. We write today expressing concerns to the CFTC, as a coalition that depends on these markets to hedge real-world risk. We look forward to further engagement.

Background

The CFTC's support of innovation and its principles-based regulation have allowed the US futures markets to flourish and prosper over the years. We as an industry strongly support the CFTC in its mission to promote and foster innovation in the derivatives markets. However, through conversations with stakeholders across the agricultural industry, we have significant concerns arising from agricultural commodity-based prediction market contracts recently listed by Kalshi, a CFTC-licensed Designated Contract Market ("DCM" or "exchange"). Concerns include possible negative liquidity or price disruption on traditional agricultural markets, the lack of alignment between these prediction markets and the federal price limits that exist in our agricultural contracts today, and the adoption of new market structures without proper consideration of unintended consequences to commercial market participants and end users who rely on these markets to hedge and manage risk.

Specifically, Kalshi listed binary options markets that allow market participants to take a position on whether certain agricultural futures prices will settle above or below a particular price on a particular day. While it is not clear from the publicly available contract specifications, based on conversations with Kalshi, we understand that these markets settle to an average of quotes obtained from liquidity providers and that they are referencing the underlying futures contract (*i.e.* a CME or ICE futures contract).We also note that the corresponding prediction markets remain open and settle several hours after the reference market has closed. For instance the Kalshi "Soybeans price tomorrow at 5pm EDT" contract settles at 5pm, but the underlying CME SON6(July 2026) futures contract closes for the day at 2:15pm. Moreover, trading up to the settlement of the prediction market is open on a 24/7 basis.

These contracts seem best designed for retail market participants who want exposure to price changes in agricultural markets, which is not the traditional purpose of agricultural derivatives markets. Agricultural interests seek markets that track their actual price exposure to underlying physical markets. These market participants are still evaluating what role binary options might play in risk management, but there is concern given the potential for these markets to create new price signals or market noise that might impact traditional risk management markets that are critical to our members.

The Kalshi prediction market contracts raise a number of concerns that the agricultural community previously expressed to the Commission regarding the impact new market structures might have on market liquidity, price discovery, and the ability to efficiently and effectively hedge commercial risk in derivatives markets. Though these markets have not seen significant liquidity to date, given the potential for widespread adoption and the speed to market that is created by the self-certification process, we believe that the Commission should take a thoughtful look at the potential consequences of these markets as quickly as possible.

While there is the potential for prediction markets to introduce additional price information and market sentiment that could benefit price discovery in markets, the way in which contracts are structured and the underlying fundamentals tied to their settlement should be appropriately tailored to ensure that they do not interfere with traditional markets.

Market Liquidity

In previous CFTC comment periods on 24/7 trading and perpetual derivatives, the agricultural community has collectively expressed the view that extending trading hours and decoupling from physical market fundamentals present significant challenges that could diminish market liquidity. In agricultural derivatives, there is typically a specific futures contract that serves as the global benchmark for commercial hedging. The convergence of future physical delivery dates and spot market pricing—a hallmark of traditional futures contracts—creates the price discovery that market participants depend on for risk management.

The function of price discovery depends on liquidity being concentrated so that pricing reflects accurate views on the price for an agricultural commodity at any given moment. It also depends on market liquidity being concentrated within a set number of hours to ensure that price signals are being sent by the largest number of market participants at the same time, as this prevents pricing from taking rapid and intense swings based on the actions of one or a small number of market participants.

Should prediction markets on agricultural commodity prices see widespread adoption that draws in large institutional players who might have a speculative position on the price of an agricultural commodity, but who do not have a need for actual risk mitigation that a traditional futures contract offers, we could see a gradual loss of liquidity in traditional markets, making it more expensive for agricultural producers and merchants to hedge their risks.

Lack of Alignment on Federal Price Limits

The Commission has long recognized that position limits and position accountability standards are core tools for preventing excessive speculation, manipulation, and congestion in agricultural derivatives markets, particularly in the spot month. For decades, federally-set speculative position limits for key legacy agricultural contracts—such as corn, wheat, soybeans, soybean meal, and soybean oil—have operated in tandem with exchange-set limits and accountability levels to constrain outsized speculative concentrations and preserve the price discovery and hedging utility of these markets. By contrast, many prediction markets that reference the very same underlying agricultural commodities appear to operate without any meaningful position limits, accountability thresholds, or comparable concentration controls. This divergence risks creating an unregulated side-car venue in which large, directional positions can accumulate in instruments that are economically related to core agricultural futures but are not subject to the same statutory and regulatory safeguards.If large, directional positions in agricultural event contracts can be built on prediction markets without effective limits or accountability regimes, the resulting exposures may undermine the integrity of traditional agricultural futures markets in several ways. First, concentrated positions in prediction markets can create incentives to influence, distort, or otherwise interfere with prices in the regulated futures markets that serve as the primary reference for settlement of those event contracts. Second, to the extent that prediction market prices are used by commercial firms, policymakers, or the public as signals about future supply-and-demand conditions, disorderly or manipulated prices in those markets can feed back into expectations and trading behavior in CFTC-regulated agricultural contracts. Third, the coexistence of strict federal and exchange-level position limits in traditional agricultural futures and essentially unlimited exposures in economically equivalent event contracts may encourage regulatory arbitrage, drawing speculative activity out of the well-supervised futures markets and into prediction markets where market surveillance, reporting, and concentration controls may not be as sophisticated. Each of these channels threatens to degrade the quality of price discovery and risk management for bona fide agricultural hedgers.

The Commission's own regulatory framework underscores the importance of these tools. Core Principle 5 requires each designated contract market, "as is necessary and appropriate," to adopt position limitations or position accountability for speculators in order to reduce the potential threat of market manipulation or congestion. Consistent with that mandate, leading futures exchanges maintain detailed tables specifying federal and exchange-set spot-month, single-month, and all-months-combined position limits for agricultural contracts, alongside position accountability and reportable levels that trigger heightened monitoring and potential intervention by market regulation staff. These frameworks enable exchanges and the Commission to identify outsized positions, demand information from market participants, and, where necessary, require that positions be reduced to specified limits. Allowing prediction markets on agricultural commodities to operate outside of comparable structures would create a conspicuous gap in the risk controls that currently apply across the agricultural derivatives complex.

The Commission should consider adopting an analogous, enumerated framework for agricultural prediction markets that combines clear, quantitative caps with robust accountability tools. Enumerated position limits, expressed in contract counts, notional exposure, or percentage of open interest, provide legal certainty and facilitate automated surveillance across platforms and intermediaries. Enumerated accountability levels, triggered at lower thresholds, would obligate prediction market operators to monitor concentrations in real time, obtain information about trading strategy and beneficial ownership, and, where warranted, restrict further accumulation or require position reductions. This approach would avoid a purely discretionary or ad hoc supervisory regime while still preserving flexibility for the Commission and exchanges to tailor limits and accountability thresholds to the specific characteristics of different agricultural event contracts. Absent such alignment, agricultural market participants will be exposed to excessive speculation, manipulation, and disorderly markets-- the very risks that federal position limits and exchange accountability standards were designed to mitigate in the first place.

24/7

Kalshi contracts, including the agricultural contracts, are offered for trading 24 hours per day, 7 days per week. This introduces a concern that they might be able to have an outsized impact on commodity prices. For instance, as noted in the "Background" section above, the CME soybean contract, the global benchmark for the price of soybeans, closes at 2:15 PM ET daily, during weekdays, including Friday afternoons, and it does not reopen until Sunday night at 8 PM ET. At the same time, prediction markets referencing the price of CME soybean futures will remain open during that period when the reference futures market is closed.

In the event these markets grow large enough to demonstrate robust public sentiment, they might signal that the price of soybeans should be significantly higher or lower than where the futures market closed on Friday afternoon. When the market reopens on Sunday, this could create disorderly markets, price dislocation or cause traditional futures markets to reflect the sentiment of prediction markets instead of commodity fundamentals. A significant change in futures pricing also has the potential to impact forward contracting and spot pricing of commodities, directly impacting farmers and ranchers.

There is also a significant concern that 24/7 trading will restrict companies' ability to conduct regular maintenance on trading systems. Commercial merchants and trading houses typically use weekends to run tests on their systems and implement any updates they feel they need to ensure their stability and performance during typical trading hours. Should they no longer have off-hour periods, they will be forced to run this maintenance while markets continue to trade, which exposes them to negative price movements without the ability to change their strategy.

Market Contagion

The adoption of 24/7 trading in these markets, though they are structured as swaps and not futures, could drive broader adoption of 24/7 trading in other markets. The structure of DCM regulation at the CFTC makes this an essentially frictionless process, as CFTC registered exchanges, particularly those already working with FCMs that have the ability to offer leverage, can self-certify these markets. While we have not seen existing platforms adopt this idea in agricultural futures markets, market pressures may advance this possibility. Therefore, we encourage the CFTC to take a step back and review all of the potential implications before allowing this to move forward.

We appreciate the competitive reasons that self-certification was created and the fact that it was created in statute, not through Commission rulemaking. However, we encourage the Commission to diligently review such self-certifications to ensure they meet all standards set out under the Commodity Exchange Act and CFTC regulations, particularly where self-certifications could have broad market impact or disrupt market structure. Where those self-certifications do not meet those standards, the CFTC should exercise its authority to protect our markets, up to and including a stay of such self-certification when necessary.

Leverage in Retail Markets

While leverage is not being offered for prediction markets on commodities today, all of the above referenced concerns would be amplified should traders have access to larger amounts of capital. The potential for leverage in these markets, especially for less sophisticated traders, also raises concerns about retail customer protection.

In the context of a fully vertically integrated model where the intermediary, market maker, exchange, and clearinghouse are all a part of one entity, 24/7 trading with auto-liquidation of accounts that are unable to meet margin requirements on a real-time basis could create a cascade of defaults that could threaten market resilience and harm retail customers and commercial end users alike.

Perpetual Futures

While perpetual futures fall outside the scope of this ANPR and RFC, we have seen recent reports of prediction markets potentially offering perpetual futures on commodity products.

Agricultural industry groups have commented in the past on the CFTC's consideration of these markets. We continue to feel strongly that introducing perpetual derivatives into traditional commodity markets, particularly in agriculture and energy, would be inconsistent with the risk management and price discovery functions of the U.S. futures markets and could undermine existing safeguards and market integrity. We feel that these markets raise new risks including potential decoupling from physical market fundamentals; new difficulties in managing long-term exposures; price distortion from funding mechanisms; and the creation of great susceptibility to speculative bubbles.

Similarly to the sentiment expressed above on prediction markets, we hope that the Commission and any exchange considering new contract listing with fundamentally different market structures will first engage in more robust consultation with the public before markets are self-certified and offered to market participants.

Conclusion

We are grateful for the opportunity to engage with the CFTC as it considers how derivatives markets will continue to grow and adapt in the face of new technologies and market demands. The agricultural community remains supportive of continued innovation and competition to offer the best possible trading experience to the market.

While we support innovation and new business models, existing platforms have offered commercial actors access to remarkably resilient and efficient markets for decades in the face of extreme geopolitical volatility and periods of economic strain. Given the challenges to today's agricultural market participants arising from geopolitical pressures and unprecedented volatility, it is crucial that any change to the market structure that these participants rely on be carefully considered by all relevant stakeholders to ensure that we do not fundamentally damage the resilience of these critical derivatives markets which serve as global benchmarks.

We welcome any opportunity to further engage with the CFTC and new market entrants as they consider ways in which to continue to innovate in commodity markets in ways that support our commitment to open, transparent, and efficient markets.

Submitted on behalf of:

Commodity Markets Council

Others...