April 30, 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") requests for comments on the Advanced Notice of Proposed Rulemaking ("ANPR") regarding the appropriate regulations for event contract derivatives traded on prediction markets.

As agricultural industry trade associations, we have strong 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 U.S. 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 impact on liquidity or price disruption on traditional agricultural markets, the lack of alignment between these prediction markets and the federal price limits and position 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 in the underlying futures contract (*i.e.* a CME or ICE futures contract).[1] This raises concerns around how contracts are settled and the underlying source for this data. This could lead to disputes over settlement prices or concerns about inaccurate price signals being sent. 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 5 pm EDT" contract settles at 5:00 PM EDT, but the underlying CME SON6 (July 2026) futures contract closes for the day at 2:15 PM EDT. Moreover, trading up to the settlement of the prediction market is open on a 24/7 basis.[2]

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 several concerns that the agricultural community previously expressed to the Commission regarding the impact new market structures might have on liquidity, price discovery, and the ability to hedge commercial risk efficiently and effectively 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. Key stakeholders from the agriculture community have already been appointed to the CFTC's Agricultural Advisory Committee, which was created to advise the Commission on these types of emerging issues impacting agriculture markets, and we look forward to that being a venue for robust discussion of this topic.

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

[1] Upon learning of the Kalshi agriculture commodity contracts, members of this coalition affirmatively reached out to Kalshi, and Kalshi engaged in a dialogue with the coalition. Some of the information herein is based on these conversations with Kalshi. Our members appreciate Kalshi's willingness to discuss their contracts and amend certain aspects of their contracts based on these discussions. We hope that in the future these conversations can occur prior to listing new contracts, and Kalshi has indicated that it will engage with the agricultural community on this basis.

[2] Kalshi has indicated to the undersigned that they will amend the contract terms such that the trading hours are consistent with the trading hours of the underlying reference contract market, and they appear to have made this change on some contracts already.

In previous CFTC comment periods on 24/7 trading and perpetual derivatives, the agricultural community 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.

Price discovery depends on liquidity being concentrated so that markets reflect 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 Position Limits

The Commission has long recognized that position limits are a core tool 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, have operated in tandem with exchange-set limits to constrain outsized speculative concentrations and preserve the price discovery and hedging utility of these markets. By contrast, many prediction markets that reference the same underlying agricultural commodities appear to operate without any meaningful position limits.

Should these markets become economically equivalent to underlying markets, this divergence risks creating an unregulated sidecar venue in which large, directional positions can accumulate in instruments that are economically related to core agricultural futures without being 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, the resulting exposures may undermine the integrity of traditional agricultural futures markets in several ways.

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. 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.

While we appreciate that these prediction markets seem to use position accountability measures, they

are not a substitute for hard position limits. The Commission should consider adopting an analogous, enumerated framework for agricultural prediction markets that combines clear position limits with robust accountability tools.

Price Limits

A similar concern exists for the lack of volatility controls in place on prediction market platforms. The integrity of pricing around agricultural derivatives is of paramount importance, given their use not only in providing risk management opportunities to our nation's farmers and producers, but also because of their use in federal programs.[3] On traditional futures platforms, price limits prevent excessive swings in the market by not allowing prices to fluctuate past a certain amount above or below the previous day's settlement price. This prevents panic or reactions to significant events to blow commercial hedgers out of their risk management positions before they have the time to appropriately react. For instance, in the soybean market, CME CBOT uses a price limit of $0.70 per day above or below the previous day's settlement price, and they would halt trading in the market should the price move outside of that limit in either direction.

Prediction markets do not move in pricing as traditional markets do, but they do offer a wide array of potential strike prices that traders may predict the price will be above or below at a particular point. Looking at the commodity markets currently offered on Kalshi and using the above example of the soybean market, Kalshi is currently offering soybean strike prices outside of a $0.70 difference from the last settlement price.

Allowing the sentiment that soybeans should be beyond the price limit to be expressed in markets that could potentially be used as signals to traders in traditional futures markets could encourage additional volatility or increase the likelihood of a market hitting a price limit as futures markets move to incorporate prediction market sentiment. This could be particularly problematic in low-volume markets primarily populated by speculative retail traders that might have less understanding of market fundamentals or typical price movement in futures markets.

While price limits are currently implemented by DCMs as a part of their own governance, not from statute or CFTC rulemaking, the CFTC should consider whether prediction market DCMs should have similar controls in place. DCMs might also consider on their own that they should offer a tighter array of strike prices in commodity markets to limit potential volatility.

24/7 Trading

Kalshi contracts, including the agricultural contracts, are offered for trading 24 hours per day, 7 days per week.[4] This introduces a concern that they might be able to have an outsized impact on

[3] For example, the federal crop insurance programs and U.S. Department of Agriculture payment programs often use futures prices to determine whether current commodity prices have fallen below enumerated reference prices, triggering payments.

[4] As noted above, based on collaborative conversation with our group, Kalshi has indicated that they intend to reduce their trading hours on agricultural commodity contracts to match those of the underlying reference contracts. We still believe it is important to address the potential impact of 24/7 trading in these markets to the extent that Kalshi or other market participants seek to list extended hours trading on these markets in the future.

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 p.m. ET daily, during weekdays, including Friday afternoons, and it does not reopen until Sunday night at 8:00 p.m. 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 futures market reopens on Sunday, this could create disorderly markets, allow for price dislocation, or cause traditional futures markets to reflect the sentiment of prediction markets instead of commodity fundamentals. A meaningful 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 evenings and 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 practice. Therefore, we encourage the CFTC to take a considered review of 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 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 may create a cascade of defaults that threaten market resilience and harm retail customers and commercial end-users alike.

Perpetual Futures

While perpetual futures fall outside the scope of this ANPR, 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 additional susceptibility to speculative bubbles.

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

Reporting

In traditional futures markets, traders, particularly commercial hedgers, rely heavily on CFTC-published position reports to gain a better understanding of market fundamentals. Chief among these reports is the CFTC's Commitment of Traders ("COT") report that gives a periodic snapshot of whether different categories of traders are long or short in each futures market.

In prediction markets, however, trades on whether futures prices will go above or below a particular point do not fit cleanly into COT reporting and are not, to our knowledge, being publicly disclosed by the CFTC. While some of this information is publicly available on prediction market DCMs, the CFTC should consider whether it should find a way to include prediction market trading in its existing reporting or create a new report that is best suited to distribute relevant data from prediction markets.

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 modern 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 today's agricultural

market participants face arising from geopolitical pressures and unprecedented volatility, it is crucial that any change to market structure be carefully considered by all relevant stakeholders to ensure that we do not fundamentally damage the resilience of critical derivatives markets, which serve as global benchmarks.

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

These comments are submitted on behalf of and reflect the collective views of:

Amcot

American Cotton Shippers Association

American Farm Bureau Federation

American Soybean Association

American Sugar Alliance

Beef Alliance

Commodity Markets Council

Farm Credit Council

National Association of Wheat Growers

National Cattlemen's Beef Association

National Corn Growers Association

National Cotton Council

National Council of Farmer Cooperatives

National Grain and Feed Association

National Milk Producers Federation

National Oilseed Processors Association

National Pork Producers Council

National Sorghum Producers

North American Millers Association

USA Rice

U.S. Rice Producers Association