The CFTC’s Role in American Agriculture

The Functions of Futures Markets

Since the late 1800s, farmers, ranchers, merchants, elevators, processors, and other businesses in the agriculture supply chain have used futures, options, and other derivatives to manage risks associated with falling and rising prices.

Futures markets also facilitate price discovery. By fostering fair, well-functioning markets, the CFTC plays a critical role in ensuring prices reflect actual supply and demand forces in the U.S. agricultural economy. Even producers who do not directly participate in the futures markets can be impacted by commodity futures prices through forward contracts and the crop insurance program.
EFFECTIVE MARKETS

The mission of the CFTC is to promote the integrity, resilience, and vibrancy of the U.S. derivatives markets through sound regulation. We do this by:

• Protecting market participants against fraud, price manipulations, and abusive trading practices.
• Ensuring the financial integrity of the clearing process.
• Promoting transparency, by conducting research on economic issues related to the futures and options markets, and sharing data about market activity.
• Encouraging market efficiency through principles-based regulation.
• Working with the exchanges, self-regulatory organizations, and other governmental and international organizations to enforce against instances of manipulative or disruptive market activity.

In an emergency, the CFTC can order an exchange to take specific action or to restore orderliness in any futures contract being traded.

REGULATION, SUPERVISION, ENFORCEMENT & EDUCATION

Under the authority of the Commodity Exchange Act (CEA), the CFTC writes rules and supervises market activity and market participants—including exchanges, clearing organizations, large traders, and the companies and individuals who handle customer funds or offer trading advice. The agency also investigates and brings cases for violations of the CEA and Commission regulations. And, the CFTC educates market customers about their rights, protections, and how to spot, avoid, and report fraud.

LEARN MORE

• VISIT: cftc.gov/agriculture

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