Most Americans don’t directly participate in agricultural derivatives and swaps markets. Yet these markets affect the prices we pay for food and other agricultural products. The U.S. Commodity Futures Trading Commission (CFTC) helps market participants use them with confidence.

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WHAT DOES THE CFTC HAVE TO DO WITH AGRICULTURE?

The CFTC’s mission is to foster open, transparent, competitive and financially sound commodity futures, options and swaps markets—including markets for agricultural commodities.

Farmers, ranchers, producers, processors and other businesses in the agriculture supply chain use futures, options and swaps to manage costs and limit risk by locking in prices for future delivery or purchase.

HOW DO THESE MARKETS AFFECT AVERAGE AMERICANS?

Market activity affects the prices everyone pays for food and other agricultural products. Futures, options and swaps help minimize dramatic price fluctuations for basic household items that otherwise would be caused by the dynamics of supply and demand. For example, a major flood could cause corn supplies to suddenly fall. If not for futures, a lower corn yield would make corn prices jump for cereal makers. The ability to hedge against these sudden price changes helps farmers and food companies plan for expenses and keep prices more stable.

The CFTC plays an essential role in the U.S. agricultural economy by ensuring that market participants can confidently use futures, options and swaps to hedge against price fluctuations.

A BRIEF HISTORY OF U.S. AGRICULTURAL COMMODITY MARKETS

1850s
U.S. agricultural producers and end-users (like bakers, food companies, and other manufacturers) start using forward contracts to lock in future prices.

1920s
The federal government begins regulating these markets.

1974
Congress creates the CFTC to consolidate federal regulation of commodity derivatives markets.

WHAT ORGANIZATIONS DOES THE CFTC OVERSEE?

The CFTC oversees the registration and compliance of intermediaries and self-regulatory organizations (SROs), including the exchanges and the National Futures Association.

The CFTC also oversees market participants in the clearing process, including:
- Derivatives clearing organizations (DCOs)
- Futures commission merchants
- Swap dealers
- Major swap participants
- Large traders

WHAT ROLE DOES THE PUBLIC PLAY?

The public plays a critical role in keeping our markets free of abuse. To promote market integrity, the CFTC encourages the public to be aware of suspicious behavior and stresses the importance of reporting suspected fraud and abuse.

The CFTC’s Division of Enforcement investigates and prosecutes alleged violations of the Commodity Exchange Act and CFTC regulations. Potential violations include fraud, price manipulation and other abuses concerning commodity derivatives and swaps that threaten market integrity.

Visit CFTC.gov to submit a tip or complaint. Also note that CFTC’s Whistleblower Program offers monetary incentives to individuals who come forward to report possible violations of the Commodity Exchange Act. When it comes to protecting customer funds, we’re all in this together.