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NEWSLETTER

Crypto concerns come to ag

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QUICK FIX

— A crypto trading platform is pushing the Commodities Future Trading Commission to consider a new model for trading digital assets, but ag groups fear it could set a new precedent that would roil farm commodity trading.
— A heatwave is hitting South Asia, parts of the U.S. and other pockets of the globe, with record heat and widespread drought forecast for the months ahead. The physical and economic toll, amid already high food and fuel prices, is expected to further strain global food supplies and ag production.
— The White House has reached an agreement with a dozen Indo-Pacific nations to participate in negotiations on President Joe Biden's signature economic initiative in the region, after scrambling to sell trading partners on the proposal.
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DRIVING THE DAY

CRYPTO AND CORN: A RECIPE FOR RISK? A crypto trading platform is making a full-court press for the Commodities Future Trading Commission to approve a plan that some agriculture groups argue could eventually expose huge risks to trade in soybeans, corn or any other agricultural commodity.

The push by FTX, a global crypto exchange, has spent millions of dollars spent on ad blitzes and advocacy efforts — but its push into financial derivatives is running into opposition from established exchanges, such as CME Group, and other traditional Wall Street players that say the proposal could upend trading systems that hedge risks in commodity trade, POLITICO's Sam Sutton reports.

What FTX wants: In brief, the proposal by FTX would allow retail investors on its platform to place bets around the clock on derivatives linked to crypto prices using borrowed money, known in trading parlance as margin. These types of transactions can boost returns, but also carry greater risk if the crypto asset takes a dive and investors can't cover their margin requirement.
— Right now, this risk is managed by CFTC-regulated brokers that collect fees and pool assets to insure against a sudden market swing. These brokers also slow down trades, whereas the FTX proposal would allow it to occur nearly in real time.

— **If FTX gets its way,** it would eliminate the need for these intermediaries, which some argue would also do away with an important buffer against market volatility. Proponents argue this would bring badly needed disruption to the trading business and kick-start competition.

What it could mean for ag: FTX’s proposal doesn’t explicitly apply to any other commodities beyond cryptocurrency, but ag groups fear that it could open the door for exchanges to adopt the higher-risk trading model to farm products.

The National Grain and Feed Association, American Cotton Shippers Association, Commodity Markets Association all similarly argue that taking away intermediaries and other aspects of FTX’s proposal would expose producers, many of whom sell their crops on futures contracts, to new risks by creating more volatile markets.

House Agriculture Chair David Scott (D-Ga.), who has oversight of the CFTC and represents the state where NYSE owner Intercontinental Exchange is based, has blasted the FTX plan as “a serious threat” to global derivatives markets.

Next steps: The CFTC will host a roundtable on May 25 to give players on both sides of the fight an opportunity to make their case.