Why Kalshi Wants to Repeal a 1958 Law About Onions

A law enacted after a brazen scheme to rig onion prices in the 1950s puts the vegetable, as well as box office receipts, off-limits for prediction markets.



By Michael Levenson
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A group of University of Chicago students gathered outside the Chicago Mercantile Exchange last week for a small but vocal protest.

One student was dressed in a large red onion outfit. Others held signs that read “Honk if You Want Free Onions” and “One Small Step for Man, One Giant Leek for Mankind.”

The students were calling for the repeal of a law most Americans have probably never heard of: the Onion Futures Act of 1958.

Somehow, it hasn’t shown up in polls of the issues voters care about most. But it seems to matter a lot to Kalshi, the prediction market platform valued at $40 billion, though an amendment added decades later may have a much bigger bearing on Kalshi’s business than onions.

Kalshi paid for the bus that took the students to the protest on Oct. 19 and sent representatives to the demonstration, according to The Chicago Maroon, the student newspaper. Kalshi’s co-founder and chief

executive, Tarek Mansour, has been a vocal critic of the law, which banned trading in onion futures.

"I want to go repeal the Onion Act," Mr. Mansour told attendees at DC Fintech Week, a financial conference in Arlington, Va., on Oct. 14. He added: "I mean, we should be able to trade onion derivatives. This is ridiculous."

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Mr. Mansour did not mention a 2010 amendment to the Onion Futures Act that banned trading on movie box office receipts — an amendment that the movie industry had pushed for. If the law were repealed, that would potentially be a much larger market for Kalshi than trades in onion futures. A Kalshi representative declined to comment on the amendment.

Craig Pirrong, a finance professor at the University of Houston's C.T. Bauer College of Business, said that trading in box-office futures could be "very lucrative" for Kalshi if the Onion Futures Act were repealed.

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"The focus on onion futures is performative, but it has the collateral benefit of freeing up a market that Kalshi would very much like to participate in," Professor Pirrong said.

Scott H. Irwin, an agricultural economist at the University of Illinois Urbana-Champaign, took a different view. He said he believed that Kalshi considers the law "an affront to the Kalshi ethos that you can trade anything."

"I think there's an element of a matter of principle in this for them," he said. At any rate, Professor Irwin said he was stunned that anyone outside his field was even talking about the Onion Futures Act.

"After all of these decades of studying and discussing this obscure statute, the world always surprises because this is the last thing I would have expected to emerge as a public policy debate," he said.

Futures contracts are legal agreements to buy or sell assets at a certain price at a date in the future. They can help farmers lock in prices and manage the financial risks associated with harvesting and shipping corn, wheat, soybeans and other products.

Onion futures are the only agricultural commodity whose trading is banned under federal law, thanks to a brazen scheme to rig the onion market carried out in the 1950s by Sam Siegel, the owner of a cold-storage facility in Chicago, and Vincent Kosuga, an onion farmer from Pine Island, N.Y.

Image



Sacks of onions in a cold storage warehouse in 1943.Credit... Library of Congress

According to the book “The Futures: The Rise of the Speculator and the Origins of the World’s Biggest Markets,” by Emily Lambert, Mr. Siegel and Mr. Kosuga bought enough onions and onion futures to control 98 percent of all the onions in Chicago in the fall of 1955.

When the market was high, they made a deal with onion growers: If the growers bought some of the onions, Mr. Siegel and Mr. Kosuga would continue buying onions as well, keeping prices as high as $4 a bag. If the growers refused, Mr. Siegel and Mr. Kosuga threatened to flood the market with onions and decimate prices.

Mr. Siegel and Mr. Kosuga then “double-crossed” the growers, according to Ms. Lambert’s book. Onion farmers grew more onions to sell at high prices, but Mr. Siegel and Mr. Kosuga began to deliver onions that they had promised to hold off the market, which sent prices plummeting to just 15 cents a bag in March 1956 from $2 in late 1955.

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Many farmers went bankrupt, according to Ms. Lambert’s book. But Mr. Siegel and Mr. Kosuga, knowing that prices would fall, made millions on trades in onion futures.

Outraged farmers lobbied Congress to act. The National Onion Association's president, Veril Baldwin, said in 1956 that he was "firmly convinced that onions are too perishable, too short in season, too vulnerable for manipulation, too small an industry to lend itself to futures trading."

President Dwight D. Eisenhower signed the Onion Futures Act in August 1958, officially prohibiting any dealings in onion futures.

Professor Irwin said it turned out to be "bad policy." Research from 1963 showed that farmers ended up selling their onions at lower prices at harvest, and consumers ultimately paid higher prices, he said.

The National Onion Association said in a statement this week that it would oppose any effort to repeal the law. "Growers fought for this protection, and we continue to stand behind it," the group said.

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Kalshi, which allows trading on everything from basketball games to the midterm elections, has said it considers the law a prime example of government policy missing the mark.

As Mr. Mansour put it at the financial conference in Virginia, "Onions are banned because, you know, at some point two guys cornered the onion market, and Congress decided that onions are the problem, not humans."

The University of Chicago students who protested outside the Chicago Mercantile Exchange are part of For Our Futures, which describes itself on its website as an unregistered student group that opposes the "unjust" Onion Futures Act. Its members said they are independent of Kalshi and started protesting the law without the company's involvement. They have distributed more than 100 pounds of onions on campus and written songs about free onions and free markets.

Mr. Mansour has reposted the group's content on his X account. Kalshi has also allowed users to trade on whether Congress will repeal the Onion Futures Act. The odds, it says, are less than 30 percent before 2030.