



Invest In Hollywood With The Film Futures Market

by **Brigitte Yuille** ([Contact Author](#) | [Biography](#))

Want to make a bet on the next mega blockbuster? Well a movie futures market is a concept that has been tossed around for several years but it wasn't until 2010 that [Commodity Futures Trading Commission](#) took it seriously and approved the concept.

The idea of a film futures market may seem a little odd. You've seen the futures market work with the agriculture industry, but backers of this market, such as some film funds, studios and movie producers, attest that it can help the turbid Hollywood film industry while giving a lucky speculator an enormous payoff on an unlikely outcome. (For more, see [The Economics Of Summer Blockbuster Movies](#).)

How Futures Work

[Futures](#) involve a standardized contract that occurs between two parties. These parties commit to buying or selling - delivering or receiving - a specific asset of a certain quantity and quality at a future date and at agreed upon price. These markets address the risks associated with the production of goods and services that have always been present.

Think about the farmer using futures to protect his or her corn crop from failure. Some in Hollywood believe the futures market would provide the same benefit but instead of a crop, the market would mitigate the risk against a box office flop. It works quite simply; a projection is made on a box office film. For example, an investor projects a film could make \$200 million. The investor buys future contracts which value the film's expected box-office at \$100 million. If the film ends up grossing \$200 million, the "long" investor will have doubled his position. (Each month can bring new growth opportunities, if you know where the right investment seeds are. Check out [Investing Seasonally In The Corn Market](#).)

The development of film futures exchanges has been at least 10 years in the making but its greatest challenge has been the government's involvement. Some members in Congress weren't too keen on the idea; as the idea was getting approved in April of 2010 some congressional members and film industry organizations tried to put a stop to it by imposing a ban in the final version of the Wall Street reform legislation. (If you want to trade futures in the hopes that you'll become rich, you'll have to answer some questions first. Learn more in [Are You Ready To Trade Futures?](#))

Advantages and Disadvantages

Backers of the film futures markets have explained that the main benefit is the ability for Hollywood to have more leverage in avoiding the risk of a box office flop. Producers, for instance, have more protection and less reliance on recruiting financial partners. Investment from [private equity](#) businesses dissipated over the previous years because the returns were either lower than anticipated or quite simply uneven. An additional

perk of the movie futures markets, the backers disclosed, was the creation of more jobs.

Despite the positive advantages, some film industry labor unions and professional groups recruited the support from members of Congress, such as Rep. Henry Waxman of California and Senator Blanche Lincoln of Arkansas. The lawmakers were uncomfortable with the possibility that the futures market would create an online platform for gambling. The Motion Picture Association of America wanted further approval from the Commission halted because of the possibility of "unbridled gambling". Its executives expressed concerns that this image could tarnish the industry's reputation. Manipulation by entertainment executives, cinema chain owners and dirty speculators was another concern. The fear was that these insiders could give the public a leg up based upon the results of test screenings, timing of the movie's showing, knowledge of money spent on marketing and changes to the numbers of screens showing the movie.

Some other possible hurdles have been the rate of film production, the tendency for Hollywood to provide limited film details regarding film projects and announcements of Hollywood deals that have often not been signed. (For more, check out [Make Money On The Movies](#).)

The Bottom Line

Meanwhile, firms such as Cantor Fitzgerald are alleviating worries and securing transparency. The brokerage firm is reassuring its experience in capital markets to the public. It has also laid out a set of solutions in congressional committee meetings to counter concerns about gambling and manipulation. The firm claimed before a congressional meeting that it could detect inaccuracies of studio data by comparing it to electronically captured sales records. The film futures market may be a new concept, but it will have to go through some trial and error to better determine whether it will be the right choice for you.

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