

Jim Newsome:

Leading the World's Largest Physical Commodities Exchange

By Bob Ratliff

Bidding is furious as Jim Newsome walks onto the trading floor and pauses to watch the action. He's greeted by one of the participants with a reference to the day's prices, "Hey Jim, what do ya think about it?"

Newsome smiles, nods and moves to a better vantage point.

Just a few years ago, Newsome could have been in any one of dozens of small Mississippi towns where cattlemen and traders gather each week to buy and sell livestock at auction. At that time, he was executive vice president of the Mississippi Cattlemen's Association, a job he seemed born into, having grown up on a family farm, been a member of his high school FFA livestock judging team, and educated at Mississippi State to manage a modern livestock operation.

On this particular blustery day in March 2005, however, the market is the New York Mercantile Exchange, or NYMEX, and the buyers and sellers are trading crude oil futures at record high prices. The traders easily recognize Newsome because he is the president of the exchange, ironically, another job for which he seemed destined.

The road to the heart of New York's financial district began for Newsome on his family's farm near Plant City, Fla. Strawberries were the primary crop on the family farm, but it was livestock that held the most interest for young Newsome.

Following high school graduation in 1977, he began to prepare for a career in livestock production.

"After two years at Abraham Baldwin College in Tifton, Ga., I went to the University of Florida as a food and resource economics major, which is basically agricultural economics," he said. "I intended to come back to the family farm. My interest was in beef cattle, but I also wanted a business background."

While at Florida, Newsome excelled on the livestock judging team, a pursuit that began when he was a member of Future Farmers of America during high school.

"The semester I was due to graduate, my livestock judging team coach, who was good friends with Dr. Howard Miller in the Department of Animal and Dairy Sciences at Mississippi State, told me that Dr. Miller was interested in slowing down as the judging team coach and was looking for a graduate student to help with the program," Newsome said. "I hadn't even con-



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sidered graduate school, so I told him thanks, but I intended going back home. He then called my father, and they teamed up on me and sent me to Mississippi State, which was the best thing that ever happened to me." The success of his MSU livestock judging teams, which during a six-year period won more than a dozen regional and national contests, remain a favorite accomplishment.

At MSU, Newsome worked on his master's in animal science under the direction of professor Mike Boyd. He stayed on to work on a doctorate, in part because of his love of working with the livestock judging team.

"Jim was a self-starter," said Boyd. "He had been in leadership roles, including serving as Florida FFA president, before coming here, and he soon became a leader among the graduate students."

The next career move for Newsome came in 1989 as he was nearing completion of his doctorate. The Mississippi Cattlemen's Association called with an offer.

"They offered me a job as their executive vice president, and I thought that would be a good fit for me," he said. "It was, and I spent almost 10 years with the association, thinking I would retire from there."

A former colleague at Mississippi State, however, had different plans. Mark Keenum had left MSU's Department of Agricultural Economics for a position on the staff of Senator Thad Cochran (R-Miss.) and by 1998 was serving as the senator's chief of staff. A Republican seat on the U.S. Commodity Futures Trading Commission was open, and as a senior member of the Senate Agriculture Committee, Senator Cochran would be instrumental in recommending a candidate.

The CFTC is the federal agency that regulates the nation's commodities exchanges. The five-member commission is traditionally composed of two appointees from each party and a chairman, who is from the same party as the president. The agency employs a staff of about 500 in its Washington, D.C., headquarters and in cities where various commodity exchanges are located, including Chicago and New York.

"Mark called about the appointment, and I told him I was very familiar with the workings of the CFTC because of the importance of the futures markets to the cattle industry but needed time to think about it," Newsome said. "When I called him back I explained that we were hesitant about the move because we were in Mississippi, but neither Mark nor Senator Cochran would take no for an answer."

It was his leadership ability that prompted their enthusiasm about Newsome as a candidate for the post.

"When he was with the Cattlemen's Association, I would frequently call on Jim about issues affecting the beef industry in Mississippi and nationally," Keenum said. "He also was instrumental in forming and leading the Mississippi Agribusiness Council, which gave him insight into policy issues affecting soybeans, cotton and other areas of the agriculture industry."

With the backing of both Senator Cochran and Senator Trent Lott (R-Miss.), who was then the Senate majority leader, Newsome was nominated for the CFTC seat by then-President Bill Clinton. Two years later he was nominated to chair the commission by President George W. Bush.

During his time at the CFTC, Newsome also served as a member of the President's Working Group on Financial Markets, along with the Secretary of the Treasury, the chairman of the Federal Reserve Board, and the chairman of the Securities and Exchange Commission. The purpose of the working group was to coordinate U.S. economic policy and to cooperate during the times of financial crisis, which included the terrorist attacks on Sept. 11. Newsome was also appointed as a member of the U.S. Corporate Fraud Task Force to coordinate investigations of fraud after the collapse of Enron.

"I was at the CFTC for six years, and it was a great experience, expanding my knowledge base beyond agriculture into the financial and energy markets," Newsome said. Especially valuable was the opportunity to meet regularly with Federal Reserve Chairman Alan Greenspan to discuss critical economic issues. "My wife and I had, however, started talking about what I was going to do after the CFTC, and at about the same time the NYMEX leadership called and asked if I would be interested in coming to New York. We came to terms rather quickly and I started here at the beginning of August 2004."

Located in the World Financial Center in lower Manhattan, the NYMEX is the world's largest physical commodities exchange. It brings together buyers and sellers to trade futures and options contracts on energy products such as crude oil, natural gas, gasoline, heating oil and coal, as well as gold, silver, platinum and palladium. The majority of the trading is still

done through open outcry, which involves traders gathering on the steps of octagon-shaped trading rings and shouting out offers to buy or sell contracts for future delivery. The Exchange trades an average of more than 155 million contracts per year with a nominal value of \$6.276 trillion.

In his position as president, Newsome is providing leadership as the exchange moves to expand its expertise in energy and metals to new overseas markets.

"We're currently finalizing a joint venture with the government of Dubai to create what will be the first futures exchange to trade energy products in the Middle East," he said. "In addition to the new exchange we are building in London, we have also opened a new office in Tokyo and are looking at the possibility of one in Singapore. Domestically, the Exchange has offices in Washington, D.C., as well as the energy hub in Houston."

Escalating crude oil prices and the resulting jump by gasoline prices at the pump for consumers have put the exchange in the headlines. Although the futures markets provide the mechanism for price discovery, Newsome said energy prices, just like those for cattle and other agricultural products, are based on the fundamentals of supply and demand.

"What the exchanges try to do is make prices transparent, and lately they have been volatile," he said. "We're in such a period of tight supply for unleaded gasoline and other energy products that any little thing can trigger a major market response. If, for example, a refinery goes down for two days, supplies can be disrupted in certain regions of the country."

While his days are spent in an office high above the Hudson River wrestling with the issues that drive the global economy, his roots are still small town. He commutes about an hour and a half each morning from a small town in New Jersey, where his young daughters, Molly and Riley, can enjoy horseback riding and other rural activities.

"Even though I'm from Florida and my wife, Mei Mei, also an MSU graduate, is from California, we still consider Mississippi home," he said. "In fact, most of the people we know in Washington and New York are not aware we're from other states because we talk so much about Mississippi."



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