

A New Angle
MTPR Episode 16
Craig Hurlbert

Justin Angle This is A New Angle, a show about cool people doing awesome things in and around Montana. I'm your host, Justin Angle. This show is supported by First Security Bank, Blackfoot Communications and the University of Montana College of Business.

Hey, folks, welcome back and thanks for tuning in. My guest today is Craig Hurlbert, co-founder and co-CEO of Local Bounti: an AG tech startup headquartered in Hamilton, Montana.

Craig Hurlbert It's one of the rare times in my lifetime that something that's more sustainably grown is at a similar price point.

Justin Angle Craig is a seasoned entrepreneur with deep experience in the energy sector and private equity. What he and his Local Bounti colleagues are trying to do is super interesting— to scale production distribution of high quality produce using indoor growing facilities that use 90 percent less water and land. It's an ambitious vision and one that the capital markets are excited about. In June, the company announced it would go public through a SPAC deal valued at \$1.1 billion. What does that mean? Well, let's find out. Craig, thanks for coming on the show.

Craig Hurlbert Justin, great to be here. I'm very, very excited to be here as a Montana boy born and raised.

Justin Angle Yeah. So tell us about that. Where did you grow up and what did your parents do?

Craig Hurlbert So I was born in Havre. My dad was a banker. We moved to Billings when I was about one, so Billings is all I really knew, born and raised. Went to Billings West High School. My mom and dad moved to Red Lodge right after I graduated from high school. I ended up playing college golf at New Mexico State and then I ended up at San Diego State. But Montana's always been home for me.

Justin Angle Give us sort of the potted bio of your business background because you've done so many interesting things.

Craig Hurlbert Yeah, sure. So I graduated with my MBA and got a job with a company in Seattle. They were in the energy business.

Justin Angle OK.

Craig Hurlbert And right before that, I was in the investment banking world. From there, I ended up in Houston. And then the company I was with in Houston, Stuart Stephenson, got bought by General Electric and GE moved us all to Atlanta. And I was at GE for three years and that's really where my career really took off. I worked for a very fast growth business inside of GE had an opportunity to really learn how to behave as an executive. I worked for effectively someone that reported to Jack Welch and got a lot of experience just on how to run businesses, how to think about companies. And so my next logical step was to become a CEO, which I did at a

relatively young age in 1999. And from there to today, I ran two different businesses and now, the third one, Local Bounty, which we're here to talk about today.

Justin Angle Yeah, so let's just get into local bounty. You've come home to Montana in some ways. And yeah, this is an ag tech start up. Tell us, tell us what ag tech is and how the local bounty what you're trying to do.

Craig Hurlbert My business partner and I, Travis Joiner, who has a law degree, by the way, from the University of Montana. Travis and I were investing in startup companies water infrastructure energy, and we were looking heavily at agriculture as well, and we were doing this out of Hamilton. We had a little office in Hamilton and we'd made some successful investments. We're involved in a couple of Montana businesses and we started digging into controlled environment agriculture.

Justin Angle OK, you're going to have to translate that.

Craig Hurlbert Sure. So controlled environment agriculture basically means the way traditional agriculture works today, like I grew up just in on a dry land wheat farm. I grew up in Billings, but our family had a farm south of Flaxville in between Faxville and Poplar. Not far from plenty would show up at kind of the northeastern corner of the state, and every summer I would go up there work on our family's dry land wheat farm. Traditional agriculture basically means that the the plants and the products are exposed to nature. So if you think about wheat and things like that that are storable, they're not as prone to issues regarding travel and cold chain and things of that nature. So the perishables like lettuce and herbs, I don't know about your family, but I know

my family, you know, being here in Montana, struggle to find fresh herbs and leafies, if you will. So and those are perishable.

So normally those are grown in Southern California or Northern California, Arizona, Mexico. That product, to get to Missoula, has to endure quite a trek. And first of all, it has to survive the growth cycle. All we're seeing climate change with droughts and fires and you know, all the things going on. So as to survive that first and foremost. Then it gets it gets cut. Then it gets washed in some kind of a triple wash. Then it goes through multiple different cold chains and distribution channels, ultimately ending up on your grocery store shelf and then finally making it into your refrigerator. And that that plant has been dead now for however long it's been—couple of weeks, maybe longer. And what that really means is the product is degrading from the get go. So by the time it gets to your your refrigerator, it is inevitably not going to last very long.

And so that's why we throw away so many herbs and leafies as families. Even though we're trying to do the right thing, it's really hard to do the right thing. Because the product won't allow you to do it. So controlled environment agriculture is really designed to bring those the products that are more perishable to bring them closer to the consumer. So with our technology and the reason we named the company Local Bounti is we're going to place seven or eight farms throughout the western United States, all of which will be within two to three hundred miles of population centers that will allow us to harvest in the afternoon delivered to a distribution center in the evening. They can get it to the grocery store the next day. OK. Potentially. Maybe it's two days, but the cycle has been drastically short.

Justin Angle I mean, you're taking multiple days, maybe a week off of the supply chain.

Craig Hurlbert Exactly. Maybe more than a week, maybe two weeks. In addition, we use no herbicides and pesticides, OK? We are use 90 percent less water and land, so super efficient with the water and land. And if you think about the cold chain route and all of the food miles attached, so some of them have 1500 to 2000 food miles attached to them. So by cutting down the food miles using no herbicides and pesticides, you're really bringing a superior product closer to the consumer at a very similar or the same, potentially even lower price point.

Justin Angle Lower price points in price point and such a smaller carbon footprint. And all these other metrics that we should be thinking about.

Craig Hurlbert Correct. It's one of the rare times in my lifetime that something that's more sustainably grown is at a similar price point. That's not the case in the energy world. Wind and solar are still higher priced than coal on a 24-7/365 basis. They're getting closer, but they'll never catch up. And that's just the realities of BTUs in the energy world. Here we are at price parity and you can have a sustainable product. So it's a real Win-Win for both the planet and the consumer.

Justin Angle Let's talk a little bit about how you're able to do that. I mean, you say controlled environment, agriculture, I sort of think greenhouse. But like it's an indoor facility down in Hamilton is your first facility. Maybe describe kind of mechanics of what it looks like and what happens in there.

Craig Hurlbert So traditionally, indoor agriculture has been in two forms. One has been a vertical farm. Think of trays going up to the roof of a 40 foot tall building and a

bunch of indoor lighting and a lot of climate control air conditioning, if you will. So you've got a huge building and your climate controlling it, you're putting a lot of LED lights and all of that in there. That's vertical farming. Then there's horizontal farming, which is greenhouse farming. Greenhouse farming is where you plant a seed on one end and it comes out the other end, you know, 45 days later. And it's a product, OK?

When we were doing our research, Travis and I, when we were trying to make an investment in a controlled environment agriculture company, we couldn't find one. And the reason we couldn't find one was because they were either all vertical or all horizontal.

Justin Angle Okay.

Craig Hurlbert And those two technologies didn't make sense to us standing on their own two feet. So vertical high yield, high cost horizontal or greenhouse farming, lower yield, low cost.

Justin Angle Got it.

Craig Hurlbert We were looking for high yield, low cost. That's why I didn't want to be in. Couldn't find it. So we invented it. And what you'll see at Hamilton is the first of its kind. We're utilizing the best vertical farming and the best of horizontal farming to unlock really, really unique and superior unit economics. We can grow more SKUs or products. So when the customer goes to the grocery store, they can buy Local Bounti mixes, Local Bounti romaine, Local Bounti herbs. They can find a brand that they can believe in and trust in.

Justin Angle And how big is a facility? Is this first one in Hamilton?

Craig Hurlbert So this is a really great question. Our first facility is about two and a half acres, OK, and it's about 12 greenhouses. So we start it started out five greenhouses, and then we are currently about ready to complete the expansion to 12 greenhouses. We started small so that we could really prove everything out.

Justin Angle Sure.

Craig Hurlbert So we could do it capital efficiently. OK? Many of the other firms we were looking at to make an investment in started with a 60 acre facility and then tried to get that to work. Very complicated, very difficult to do. So what Hamilton is allowed us to do is really get everything ironed out inside the facility. So now we're about ready to break ground in Pasco, Washington, right on about a 35 to 40 greenhouse facility, 32 to 40. We're kind of figuring that out right now. We're making a few minor tweaks and that next facility will really be ready to go from day one.

Justin Angle So one of the words we haven't heard in this discussion yet is is organic. And so talk about that, I mean, it doesn't sound like what you're producing is defined as organic or how does that fit into this conversation?

Craig Hurlbert It's a completely different, but I'll say, category. And one of the things we don't like about organic is it's grown outside. It's got similar problems that we just talked about with traditional agriculture. Yeah, I kind of throw organic in that same mix. The dirty little secret is, I think, the question we need to be asking as consumers is, is

organic, even organic. Are they using herbicides and pesticides? What is in there? Triple wash that they talk about? What are the chemicals that are in the triple wash? At Local Bounti, we don't have a triple wash. We don't need to triple wash. We're grown in a perfect environment where the plant gets exactly what it needs whenever it needs it. And so I think this is where the consumer has been lacking transparency, specifically on the leafies, for sure.

When you stand in front of the produce with all that wall of product on the on the wall, we still don't know what that product had to go through to get on that wall. We need to know that, Justin. Consumers need to understand that we're starting to make decisions more and more, what's best for us as people, our families, what's best for the environment? That's one of the things a local bounties mission is really revolving around is complete transparency on what the product actually stands for. So we view organic as a question mark.

Justin Angle Yeah, it seems like, you know, organic can be used as a heuristic for a consumer. Yet food is a category where I think a consumer might be willing and able to go past a simple heuristic in decision making. So how do you kind of think that you and your team are going to make this case to the consumer that they should pick yours versus something that is merely organic or some other category?

Craig Hurlbert I think it's back to the word transparency. I think that we have a very significant, what I'll call, marketing and branding effort. And our mission on that side on the branding side is to make sure that the consumers know what their families are actually putting in their bodies and what that impact is on the environment. And once that transparency happens, I think the consumer will just say I'm never going to buy

anything but that because it's at the same price point as the organic folks. So I would say transparency is a big one. It's going to be a process to get there. But I think once people taste our product and just experience it, I think that will end up being the best marketing of all.

Justin Angle And I would assume, too, since you are, you know, vertically integrated in a way that you know, you own your production, your production is situated close to your point of sale that the consumer will know what Local Bounti is and be able to connect it with your actual facility. I think maybe that chain of transparency helps, too, because when you buy another brand, you don't really have any idea where it came from.

Craig Hurlbert Right. This is such an important point, Justin. The produce section of the grocery store has suffered from a massive lack of a brand. Like, who really connects to the dole brand, for example. You don't really know what that stands for. It's a huge company and a great company, I'm sure. But it's not really a company that's talking about, you know, what's really good, what's in the product, as it relates to sustainability. And don't get me wrong. Traditional agriculture and organic, there's a role for those. There's a \$30 billion market in the U.S. for these products. Less than one percent is farmed indoors. OK, so there's a massive market out there that's not Local Bounti wins and everybody else loses. That's not the case. We're not even saying that there will be many, many, many, many people that do well in this industry. But when you think about produce, there hasn't been a brand that you could really connect to in that way. OK. And that's really what Local Bounti is wanting to do. We're wanting to connect with the consumer in a very real way, in a way that they know that they could trust our product and know how it was grown. I mean, even picture a point in time

where you could go up with your phone and there's a QR code on our packaging. You can scan the QR code and it could show a little video of how our product got to that shelf.

Craig Hurlbert We'll be back to my conversation with Local Bounti's Craig Hulbert after this short break.

Justin Angle Welcome back to A New Angle. I'm speaking with Local Bounti's Craig Hurlbert about the potential of indoor agriculture.

Let's sort of fast forward because you've got so many things happening, you know, just show me your calendar before we we started recording. And so a part of it is like trying to get this, this concept in this business off the ground. And then this next part is like, OK, we've got this idea. We think it can scale. The markets are excited about it. You've got the whole kind of capital raising piece of it as well, in which you have deep experience in that space. Describe where you're at with financing. We've seen a lot of big headlines, SPAC deals like what's what's happening?

Craig Hurlbert I think with any big idea, you can't just have the dream of the markets and the technology and all of that. You also have to back it up with solid execution. Part of that is funding the company properly. That's a big part of it. Another part of it is making sure you have the right talent in the right place. That's a really big part of it. And then the leadership side, getting everybody rolling in the proper direction. Your question was mostly around the financing side, so I'll touch on that.

We realized very quickly because remember, we started by looking at CEA companies wanting to make an investment. So what we realized very early on was that there wasn't a business that embodied the characteristics necessary to succeed over the long term, in our opinion. In the CEA, space controlled environment agriculture. So we realized quickly we needed to get the proper funding in place to do that. But we wanted to do it efficiently as possible. So we started exploring debt partners and we started exploring, you know, equity capital as well. And that quickly left us on the debt side. We wanted to find a large agricultural conglomerate to help us, preferably a global conglomerate. And that's where Cargill comes into the picture.

What Cargill is committed to is 200 plus million dollars in debt to help us build out our next seven facilities across the western United States. So they obviously did a lot of due diligence. They got excited about our unit economics, the team that's in place, etc. our plan and our in our background of execution. So on the debt side, we have our debt partner couldn't be more happy with Cargill. Amazing company. So that left the equity side. So we did raise some money from friends and family. Not very much. We've raised less than \$15 million today and we have we're in 400 grocery stores, so a little bit over 400 grocery stores today. So we're very proud of our capital efficiency. But we knew we needed a lot of capital, so we started looking at the SPAC, which is what I'll just for those of the listeners that don't know, it's just a fast way to go public. So you kind of truncate a year and a half long process into about six to nine months. And if you can find the right partner, which we did, it's an unbelievable route to take. So we found our partner, we've entered into the agreement. We've already got our valuation and we're currently trading under their ticker our partners ticker. LEO Romanet III. So LEO III. And then we will in the middle of October, when we go public, we'll be trading

under local LOCL on the New York Stock Exchange, and all of our consumers could invest in local bounty if they wanted to at that point in time.

Justin Angle And so is it worth just taking a moment to define SPAC, Special Purpose Acquisition Corporation, and it's basically a fundraising mechanism that is not attached to specific business. And then the sort of premises that I invest in the SPAC and then I invest in the SPACs leadership and trust that leadership to then go find an awesome business like Local Bounty, to transfer ownership to.

Craig Hurlbert Excellent description. Very, very good description. And with that solid description, I'll give you kind of our experience. Sure, we ended up meeting with probably 15 to 20 SPACs, these these professionals that go out and raise money. In our case, this SPAC is \$275 million, and the SPAC leaders for LEO III have a large consumer background. They've invested in things like Kettle Chips, True Foods, Gordon Ramsay and other what I'll call consumer products. So they loved this story just as much as we loved their back story. Yeah, and we signed that agreement in the in March of this year, and our working relationship since then has only gotten closer and closer.

Justin Angle And so the next step is, well, there's a bunch of steps. But sort of the big milestone is this transition to trading under your own ticker, which is sort of when you're officially a public company and you're predicting sometime in October,

Craig Hurlbert October, early November. Correct.

Justin Angle Fantastic. And so the idea there is with this capital, you can scale the business to, you know, you've got this facility that you're building out in Pasco. What

other locations have you been thinking about that or what are your sort of criteria for choosing a location?

Craig Hurlbert And it's a great question also. So some of our competitors are building facilities in large metropolitan areas.

Justin Angle Right.

Craig Hurlbert New York City, Chicago, San Francisco, Los Angeles. You won't see Local Bounti building facilities in major metropolitan areas. We're looking for places that are just outside within an easy drive to metropolitan areas. So Pasco can serve Spokane, Seattle, Portland, Boise. Very strategic location. We're also looking in Denver and Reno and multiple Salt Lake City, multiple other sites in the western United States. So we're looking for, you know, obviously the right kind of land with the right kind of access to freeways, et cetera, water. We need a little bit of water, not as much as traditional agriculture, 90 percent less water, to be precise. And then we're looking for a permitting. And honestly, we have been so pleased with the community leaders being so excited to add a Local Bounti facility into their community. Because take Pasco, for example, you got Washington state right down the street. You've got kids that grew up on farms, go off to school, can come back and have a have a good job in a facility like a Local Bounti facility. So the community leaders are excited to bring these sustainable kind of next gen businesses into their communities.

Justin Angle Yeah. Talk a little bit about some of those jobs that you were able to create. I would assume there's the distribution. You've got some sort of, you know,

probably lower skilled traditional AG jobs, but also spread across this technology spectrum to higher skill, higher wage labor as well.

Craig Hurlbert So I think of it in kind of two two different layers. The first layer would be at the corporate level. So we've been able to attract talent at the corporate level. We've got scientists, we've got engineers, we've got sales professionals, we've got marketing professionals, you know, we've got kind of across the matrix. We've gone from, you know, 10 employees to 80 employees this year alone. And we'll double that or more next year. Then think about the facility level. Yeah, what I love about these jobs, most of all, is if you think about the pictures you see, go Google lettuce farming in California, lettuce harvesting in California and look at the images you're going to see. OK. Just doing it. For those of you listening, do that. And then picture the same job at Local Bounti. You're in a lab coat. You're working in an air conditioned environment. You've got benefits. In fact, at Local Bounti that CEOs Travis Joyner and Craig Hurlbut had the exact same benefits as the people in the facility. We want it that way because those people are what make the whole company go. So we are so proud of the jobs that we're bringing to these communities. That way, we could tell the communities were serving Local Bounti, local farmers, local produce, a local grocery store.

Justin Angle Closed loop system.

Craig Hurlbert It's a local game at that point.

Justin Angle I think access is an important piece of this as well. I mean, we've talked about some of the issues surrounding access, but you mentioned food deserts. You mentioned the sort of length of time in the supply chain. You mentioned the price point.

Like, all of these things, roll up into the potential to make healthy produce more accessible to more people and more environments, you know, and just creating mechanisms for a healthier society, I think are important to you and your team as well.

Craig Hurlbert Absolutely. And just keep this in mind, all of those things, plus the produce that you buy from us, will behave like those little mini carrots in your fridge. They won't degrade in three to four days. You have to throw it away. No longer will you have to have line of sight to buying that head of lettuce. Like my family, we have tacos every Tuesday. We buy lettuce on Monday knowing we're going to have tacos on Tuesday. You can buy that lettuce three weeks in advance and know that that's going to be good and that just that will also enhance families to eat better, be be healthier. And the end of the day, this is just it. The time has come for this technology. Think of where technology has impacted everything else from the cars we drive to the way we deposit checks today to everything else.

Why has the last major innovation in farming been the tractor? Why, why is that acceptable in the agricultural world, and I think California is really suffering right now? Droughts, fires, all kinds of problems. We've got to start to realize this climate change. Is real, and it's starting to impact things, and so we need this. Listen to this fact, Justin, in really quick. The world needs 70 percent more food in just 30 years. That's you and I look at each other. 40 percent of the farmable land has been destroyed in the last 30 years. Those are bad trends. This technology's time has come and it's here to stay.

Justin Angle So you're at this inflection point where this deal's coming together. Things are about to get big. Like, what are the problems that kind of keep you up at night? What, and frame that in terms of what does success look like? What are the key

things that you and your team need to nail in order for? You know, five years from now for you to be where you want to be?

Craig Hurlbert The biggest thing missing in this industry when we did our due diligence three and a half years ago was lot of very fancy PowerPoint slides, not enough execution. So for us, what we talk to our team about every day, including Saturday and Sunday, is our success will revolve around our execution. And that means being good to our people, you know, living to our core values, we don't need to get into all that. But at the end of the day, in 2025, we want to have meet a met or exceeded our projections. If we have done that, we will be a top tier CPA firm, if not the best CPA firm in the world. So that's the whole target is all around execution, and that's all we really talk about in the company.

Justin Angle And so for for people interested, maybe you've seen Local Bounti at your grocery store, maybe you haven't. If you if you haven't, go look for it. But how how can people learn more about you and your team online?

Craig Hurlbert So we have a website, Local Bounti with an eye dot com. I think I hope your listeners are interested. I would not view this is really a threat to traditional agriculture. I would view this as kind of the next step, the next logical step for perishables, specifically in food deserts. Like I remember, we were working with a company in North Dakota and it was January and we were up there in the hotel. We tried to have dinner and we couldn't find any lettuce, couldn't get a salad. They're in the food desert up there. That's not going to be the case now. We're going to be able to grow lettuce in the middle of January in Hamilton, Montana.

Justin Angle Well, it sounds exciting. I've enjoyed learning more about it. And Craig, I wish you and your team well and, you know, welcome home to Montana as well.

Craig Hurlbert Thank you so much. It was great to be with you.

Justin Angle Thanks for listening to A New Angle. We really appreciate it. And we're coming to you from Studio 49, a generous gift from University of Montana alums Michelle and Loren Hansen. A New Angle is presented by First Security Bank, Blackfoot Communications and the University of Montana College of Business with additional support from consolidated electrical distributors, Drum Coffee and Montana Public Radio.

Aj Williams is our producer. VTO, Jeff Ament and John Wicks made our music. Editing by Nick Mott and Jeff Meese is our master of all things sound. Thanks a lot. See you next time.