

## **A New Angle**

### **Episode 50**

**June 16, 2022**

**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.

**Justin Angle:** Hey, folks, welcome back and thanks for tuning in. Last month, my friend and colleague Brigitta Miranda-Freer invited me to moderate the Faces of Trade panel at the Montana World Trade Center's Investment Day Conference. The panel included Heather McDowell, VP of Legal, Environmental and Government Affairs for Sibanye-Stillwater, the South African owned operator of the Stillwater and East Boulder mines. Patrick Flanagan, Chief Commercial Officer at Administrate, a software firm based in Scotland with an office in Bozeman. Cassidy Marn, Executive Vice President of the Montana Wheat and Barley Committee. And Michelle Huie, the founder and CEO of Vim&Vigr.

**Justin Angle:** This audio was recorded live, and we did experience some mic problems with Michelle, but we captured an excellent conversation about the many forms of international commerce happening right here in Montana. Have a listen.

**Justin Angle:** Yeah. Thanks for being here, everybody. Thanks for making your way back into the session. Montana is the great asset of our culture, of our amenities, of our access to beautiful natural spaces. People talk so much about it, and I see it in our students, the work ethic. So, Patrick, you mentioned that you chose to build your business here in Montana. What is it? What is special about the labor force here in Montana that you're able to tap into?

**Patrick Flanagan:** You know, looking across our employees here, they like to work hard and play hard. And I think they just go hard at anything they do. So, when they show up in the office, it's just, let's all work hard. Let's get it done. I think, too, we have a pretty kind of open and direct style of communication, which drives efficiency around work as well. So, it's interesting just seeing our different offices, you know, UK, Ireland, Lebanon and here. I think Americans in general get the, are maybe a little higher on the work ethic in a lot of ways. Some, some maybe not, but Montana is just the cream of the crop when it comes to that.

**Justin Angle:** Super. Heather, your thoughts on that?

**Heather McDowell:** Yeah, I think for what we're doing, it's a really good match. I mean, we have found statistically that our local folks that we have to train that don't come in, I'm just talking about miners now, those critical skills, they stay. You know, other folks, they don't stay. They don't. And I think our jobs are so interesting because here we have people getting on a bus in Billings or wherever, riding it for 2 hours, working in an 11-and-a-half-hour shift underground, riding the bus back, doing it four days in a row. Then, of course, they have four days off. But in their off days, they have another pursuit. And it's so interesting now seeing, you know, meshing the South African culture, our culture and, you know, the situation in South Africa is, let's not kid ourselves, it's it's very, very difficult. I mean, unemployment is probably 60%. And it's so hard to explain. You know, our folks will have, they'll be working for us so that they can support the family ranch or farm or their entrepreneurial venture. And they'll be doing their other job in their days off. And it really blows the mind of our South African colleagues who, you know, just don't. It's just not the situation there. And we have a lot of people, I wish I knew the number, I've always wanted to find a way to track it, who are literally doing the shift work for us so that they can do their other thing. And often it's agricultural related.

**Justin Angle:** Mm hmm. Cassidy, how about you?

**Cassidy Marn:** Well, yes, I guess on the flip side of that, that says something about agriculture. And maybe it's not entirely easy for, you know, it's certainly tough just to move to Montana and become a farmer or become a rancher, especially as we've seen land prices and everything else increase. So that's definitely, definitely a factor. But then you look at it, if you do have a family with three children and they all want to come back to the family ranch and it's just not sustainable. So, it's nice to have flexibility in other jobs because people want to stay in agriculture. It's their passion. They want to keep the family farm, the family ranch going. But often it does need supplemental income, especially if it is a, you know, a multi-generational group.

**Justin Angle:** Michelle, you got your new mike here and let's test it out with your thoughts on this.

**Michelle Huie:** I mean, you know, absolutely. From like a work ethic standpoint, I mean, on average, my employees have been with Vim&Vigr for about four and a half, five years as an eight-year-old company. So, they've been around for a while and there's just a lot of accountability. You know, they feel a strong amount of ownership in the business and the success of the business because they've seen it go through its various

iterations and ups and downs. And with that, when you have people on your team for that length of time, you know, making sure that you hire the right people is really important because that could really shift the dynamic of any work environment. And again, just really staying up to date on what other people are doing so that you're delivering for your team.

**Justin Angle:** So, let's touch on some of the instability in the world. Cassie, I'm thinking of you. I mean, who knew that, well, I had no idea that Ukraine was such a giant producer of food for the world. I'm sure it was on your radar screen. But how is that affecting your work and the growers you represent?

**Cassidy Marn:** You know, the global flow of wheat is constantly shifting and moving around. Right. A lot of our production worldwide is relatively static. We grow at a very slow rate of what we're able to produce. So that production is constantly evolving. And Ukraine and Russia account for around 29% of total world wheat exports. Russia's the largest wheat exporter in in the world. They've really made it their goal since the end of the Cold War to displace the United States on that front. And they have, they have done it. They've done a tremendous job at it. So, they are definitely competitors in some of especially in our emerging markets. If we're looking at countries like Indonesia and Malaysia and Vietnam with these growing populations that logistically Montana

would very well be able to supply. There's certainly a big competitor with that. They also supply a lot of North African countries. So, you know, every probably eight years suddenly you'll see Egypt, who is the world's largest wheat importer. Suddenly, every eight years, they're the US's biggest wheat importer because the price skyrockets in one of these other countries. That's our competitor and we're certainly seeing that happen a little bit more this year. So, it's had a major effect. I don't know that we can say indefinitely what's going to happen. A lot of wheat in the Ukraine is winter wheat. So, it was planted already in the fall. We'll see what happens if they're able to harvest. They do have a fairly large number of exportable supply right now, but they don't have any port facilities to get it out. And there's also issues with the rail. The width of the rail tracks and the train cars are different in the Ukraine than they are in Poland. So, they can get it to the border and then they have to transload to a different train completely and get it to a different export port. So, it's a very, very difficult situation, no doubt. Russia's had an export tax on wheat for over a year now. It's currently a floating tax that's anywhere from \$90 to \$98 a metric ton, which made which made them more price competitive with us. That's always been the problem is that Russia's able to kind of come in and underbid some of the US crop. But then we had the drought in Montana last year. We had half of the crop as normal. So, everyone thinks the price of wheat right now is easily more than double what it was this time last year. We went from \$4.50 a bushel to well over \$10 to \$11 a bushel currently, but we don't have any crop

left to sell. And so, we will see what happens, what those prices look like in the fall. And then you also couple that with the fact that the cost of inputs has also easily doubled what it was this time last year. And it certainly eats into your profit margin, but it has definitely made the trade very interesting. Countries are buying way, way further out than normal. So, Japan would typically buy out for maybe two months ahead. And they're pushing that now with this understanding that kind of some unreliability on when the crop will get there, if the crop is going to be available, what the price change is going to look like. But that creates a whole host of other issues as far as storage, good storage, making sure that the crop stays viable and doesn't get any kind of damage when it gets to the other end if it's sitting there. So, it's definitely creating a lot of issues all along the line. And it's definitely again highlighted, you know, really this need for food security and stability. And if anything, COVID in this situation has helped highlight how good our logistics system is. Right. Any of the issues we've had on the wheat side, really, we've kept things moving pretty seamlessly off of the coast, the Portland coast. So, I guess that's a silver lining in all of this.

**Justin Angle:** Sure. Heather, how does global instability manifest in your world?

**Heather McDowell:** 100%. Yeah. I mean, you know, historically, these assets have been just amazing economic contributors. So again, the latest study that will be

released soon, our economic input to Montana for 2021 was \$4.4 billion, which is over 4% of Montana's entire economy comes from our operations. But, you know, historically, they're really challenging assets because of this sophisticated structure. It's very expensive. You know, labor is about 60% of our costs. And then the price volatility just getting back to that. So, platinum and palladium are produced in our operations in South Africa in a particular area and in Russia. Russia, Norilsk, who used to own a silver mining company back in the early 2000s, is a big producer of palladium. And so, we see inflated prices. And I think for us, the last few years have been wonderful price points. But when you start looking at it, it's really not a different equation than wheat. The inputs are so great. I mean, in labor and we've done a ton of capital expansion. So just all of those costs are huge costs. And then you look at the markets and again, like wheat, you know, you don't have any control over it. I mean, it is things like a Russian invasion that are going to set your price. So, I think, while at times not everyone, you know, maybe likes to hear that we have a South African parent. I think this is a great relationship for these assets because finally now there's some diversification. Right. We have a fleet of gold assets in South Africa. We have lithium interest in Europe. We have, we're branching out into battery metals. And I think it's a very wonderful thing and I think it's a healthy place to be because, again, these types of commodities, it's not a different economic analysis than wheat. I mean, for these commodities, you don't have much control over it. And we are working very hard right now to control our costs.



I think you're only left with that diversification model when you are working in commodities.

**Justin Angle:** Makes sense, Michelle?

**Michelle Huie:** Well, all of my product is manufactured in Taiwan, and I've made many attempts to try to diversify that. And it's hard because I make technically a medical device. They're specific machines. There's a certain level of expertise in producing this equipment. The manufacturers I've been working with have been making graduated, medical compression socks for 55, 60 years. It's not something that you can just buy a machine and just start doing. And so that's really challenging. And obviously anyone who's doing trade in Taiwan couldn't help but see what was happening between Russia and Ukraine and not think woah, dot, dot, dot, what can this mean between China and Taiwan? And so, it's really scary. And I talk to my, you know, I converse with my manufacture all the time. I would, pre-COVID, would visit there maybe every, you know, 12 to 16 months. And it's definitely a major concern for them. We are currently looking at opportunities for a plan B, but it's really hard because there's just a lot of instability in so many different countries and they're plagued by very different things, whether it's labor or whether it's government regulation, whether it's trademarks, you

know, or in this situation, just the challenges between the kind of the type of tensions between Taiwan and China.

**Justin Angle:** Sure. So, let's turn a little bit to policy, and I might put you on the hot seat a little bit. What is, whether it's a policy issue or regulatory or whatever, like what is harder than it should be right now in your world? Patrick, why don't you kick us off with that.

**Patrick Flanagan:** Free flow of labor. I would love to be able to move employees around, bring employees to Montana that work in our other offices. The visas are just difficult. And so probably the number one...

**Justin Angle:** When you say difficult, like impossible or what's the lead time you have to deal with?

**Patrick Flanagan:** It's almost so much of a headache to bring someone over that's not worth it and leave them in the other office. But we would get a lot of benefit out of that. I think hiring locally, I mean, our governor's working on some of this, but just anything that that could just foster the ability for software firms to grow. I think being business friendly is obviously huge and we want to attract more firms into Montana. 'm

a huge fan of the Montana brand. And I think if we could market that brand, you know, as a state, as a as a way of life, that sort of thing, we'll be able to bring that talent in even more.

**Justin Angle:** Heather, what do you think is harder than it needs to be right now?

**Heather McDowell:** Well, it's interesting that the term environmental hasn't come up all day. So obviously what we're doing, we're extracting things from the earth. Right. And we believe very strongly in having robust environmental regulation. I personally am really frustrated that in the last administration, rather than just, you know, regulating coming up with robust but reasonable and achievable regulation, a lot of things were rescinded. And so now I feel like the pendulum is just swinging so severely back and forth. We are really, really fortunate that we have what we call the good neighbor agreement with Northern Plains Resource Council, and it's true collaboration. It's this true, for the leadership Montana folks here, this true gracious space and it has really allowed us to collaboratively work through really complex issues. And it's interesting, the ones that people really, humans really, care about are things like traffic and what they can see. And it's just been an amazing experience for us. But it's very concerning looking forward, because I think for anyone doing extractive work or really anything, I mean, even if you're doing even light manufacturing, right, I

think that we've seem to have lost that ability to collaborate generally. And I really think in Montana we have to get it together. We have to get back where we're talking with each other and we're saying, okay, we want to do this as responsibly as possible. And, you know, that is the only way to do it. And then I think just having folks who are willing to learn enough or investigate enough to really understand this can be done responsibly. Because I feel like there's small, extreme groups on both sides who really kind of prevent that collaborative work. And I think for Montana, it's going to be really critical that we do that because things where we're working in concert with our natural resources and they are very important, right? And they can be done reasonably, they can be done safely. And I think we just need to have high level discussions that focus on collaboration.

**Justin Angle:** Yeah. In good faith.

**Heather McDowell:** Yeah, exactly. No, that's exactly right. That's exactly right. I think there's a large group of people who really want that.

**Justin Angle:** We'll be back to our Faces of Trade panel after this short break.

**Justin Angle:** Welcome back to A New Angle. You're listening to our Faces of Trade panel at the Montana World Trade Center's Investment Day.

**Justin Angle:** Sure. Cassidy, how about you? What would you like to see be less hard?

**Cassidy Marn:** I mean, echoing in a similar vein. You know, of course, with agriculture, there's been a lot of conversation around sustainability and regenerative agriculture. And I often feel like agriculture's playing catch up on the dialog where if we'd been steering the dialog in the first place, we would be the baseline. And we could have already established that we've been farming here for over a hundred years. So, we certainly have measures in place to maintain sustainability of agriculture. So, sort of reevaluating that and making sure that we are measuring and quantifying and we are the baseline and we're driving the conversation. Here's our standard. You want to buy your product, look what we're doing. You make this your marketing. And getting to that point where we just have those measurables in place, the practices are there, but the verification and getting something under this similar idea of this Montana brand. Right. This is just Montana, you know, Montana smart agriculture. This is what we do, and this is how we do it and this is how we will continue to do it. So, sort of trying to get ahead of the curve on that conversation. And then, you know, we'll always have trade barriers and policy issues. And if anything, I mean, this is a very, very small complaint

in a world of very, very serious issues right now. But the fact that in general, just feeding the world is absolutely at the top of everyone's plates, you know, trade negotiations, all of that is really going to be put on the back burner. At some point we will have supply back to normal and we will still be sitting on the same existing trade barriers we are today.

**Justin Angle:** Yeah. Michelle?

**Michelle Huie:** So, I mean, for me it's, and this is a lot of people in my business is lack of transparency with exporting tariffs. You know, I pretty much know when I bring product in what my duties are, you know, it's very consistent. But whenever I ship product out of the United States, it's all over the place. And I can use the same HSD code I can, same VAT, same. Everything's the same, but it'd be wildly different, and it makes it really hard to predict what my costs are going to be. And so, I think, you know, for me, there's so much more potential for me to export more product to other countries. But, again, physical shipment of product involves so many things, actually physically getting it there, but then also navigating what the actual true cost are from a duty standpoint. So other things that I'm evaluating is working with kind of third-party logistic companies or 3PLs in various countries, maybe one in the EU, I'm working with one in the UK because with Brexit it's now this whole crazy thing. I have one in Japan,

so I have different areas where I have 3PLs, but I need to establish more of them so I can get product there. And then from those hubs be able to ship out to different customers all over those specific areas and regions. But it's really inconsistent.

**Justin Angle:** Yeah. So, I think we're in a transition to some questions. So, if you have a question, please make your way to a microphone as you're sort of formulating your question and coming up to get access to a mic we'll just close with what are you most excited about in the next two years? I mean, we talked about a lot of headwinds, war and trade policy and instability and inflation and housing prices. All these things are scary and problems that we're managing on a daily basis. But what are you most bullish about in the next two years? Michelle, start with you.

**Michelle Huie:** I kind of feel that especially in Montana, I feel like we as a state have gotten just so much more sophisticated in how we do business. And that's really exciting, you know? You know, the first part is kind of figuring things out and then building it. And I just think we are on that path, just like this higher level of sophistication. Maybe it's the employers that are here or the employees that are here and just the types of businesses that we're growing. I mean, even for my business, we're up about 25, 30%, you know, for this year coming into 2022 and, you know,

coming off of the crazy past two years. So, I think there's a lot of potential for growth and it's really exciting.

**Justin Angle:** Super. Patrick?

**Patrick Flanagan:** Mine will be narrowly focused on software, but 15% of software is Cloud right now, software as a service, and the rest is still on prem. So, there's a huge wave still to come on software via the Cloud, and that represents a huge opportunity for Montana and other places as well. So, I'm very excited about that. I think, you know, if students, whether it's MSU or UM or wherever, can see that opportunity and stay in the state, that's all the better.

**Justin Angle:** Yeah, I like to hear that. Heather?

**Heather McDowell:** Yeah. How amazing is it that we're coming out of a pandemic with a strong economy and think of what it enables us to do. Just think of the luxury. I mean, even though there are the challenges of finding a workforce and housing, I mean think of how lucky we are, and I think of initiatives that I'm passionate about, like diversity, equity and inclusion. I mean, you can go out and champion that now and you have this baseline of we have to hire people. We have to do this. So, I think it just is like a weight



lifted. To have this strong economy despite all of the problems that it creates. I mean, those problems are so much better than the alternative. I mean, right now, you know, we can plan to have all of our kids stay in Montana and work for all of you guys. Right. So, it's, I think it's just a luxury that we kind of forget about because we're tired, because of COVID. We're tired because we just went through a pandemic. But we're in a great place.

**Justin Angle:** We are. The leaves are coming out, right? Throughout this talk, I look out and the leaves are like getting bigger and bigger. Cassidy, close with you?

**Cassidy Marn:** No, I will just echo what everyone else has said. I think that there's been a real spotlight, again, put on food production, which is nice. It's nice to be recognized for agriculture and importance placed on that absolute need. And I think, yeah, also the additional sophistication and technology that's available to producers. It's really going to push things a lot faster having this spotlight on ag. We're going to get a lot of things done a lot faster than we would have otherwise.

**Justin Angle:** Awesome. A lot to be excited about. Thank you. So, let's get the audience involved, if you have questions, step up to the mic and engage with this great panel.

**Jenny West:** Hi, thanks. I'm Jenny West. I'm with the Montana Manufacturing Extension Center. And I'd just be curious to hear from all of you about automation and technology. So, there's lots obviously happening in the world of technology implementation and increases and the technology that's available. What opportunities are you pursuing, if any, to help, particularly with the labor shortages along the lines of implementing automation or other types of technology? And what challenges do you see to that?

**Heather McDowell:** I can take this one. So, you know, in mining, part of it is that I mean, part of it is if we can automate, we can do this perhaps with less people. But for us, it's also about safety, right? There are a lot of opportunities. We're using a device called the C Mac right now that takes the place of a traditional jack leg. And it's just incredibly safer statistically. And it allows folks to be able to do the work without having to physically labor as much, which should allow us to hire people who statistically may not meet the metrics in the past, such as more women. So, I think it's a production issue, but I think for us it's really primarily a safety issue and I think we're really excited about some of the things that we're able to do now that we couldn't do even ten or 12 years ago.

**Justin Angle:** Super Other thoughts?

**Patrick Flanagan:** I could maybe say something from another perspective, but really focused on, there's a lot of data available, but there's not a lot of data literacy or how to use that data. There's just so much coming down with AI machine learning in the sense of what's called decision support. So, I don't have to look, you know, comb through tons of data to come up with a decision that needs to be made, that decision's already going to be surfaced to me to say, what do you want to do here? This is the optimized way to do something. So, taking that which is coming very quickly and being able to apply it to manufacturing or mining or other industries is going to be really important.

**Justin Angle:** Probably having people with the skills to interface with those systems is a big challenge as well.

**Patrick Flanagan:** Absolutely.

**Justin Angle:** Other thoughts on that?

**Cassidy Marn:** Echo. Echo, what has been said. MSU just put hired four new precision ag researchers on campus and there's an advisory committee to continue work on that. Again, silver lining of COVID. A lot of my farmers had to learn to use a lot of technology really fast, and now they're just great guns ahead with it. So, things like AI and being able to do virtual soil testing and overlaying production maps and yield maps and protein and weather patterns and just knowing your prescription for what you need to have for an input on that farm, it's a huge cost saving. It's a huge marketing advantage for us. And I think it's yeah, it's coming much faster than I would have expected.

**Michelle Huie:** I mean, from my standpoint, there's still kind of, there's still a lot of kind of physical components of packing and shipping. You know, we do all of our fulfillment here in Missoula and especially during COVID, we had to let a lot of people go and that forced the rest of the team that was there to really adopt integrations, technology, all of that in order to be able to continue on with the business, because a business was still there just with a much fewer people. So, it's kind of a catch 22, right, like you want this technology, you want efficiency. That also means fewer employees. But that also means, you know, the types of employees that we have, I mean, definitely we had a lot more kind of more data entry type people, I would say, pre-COVID and, you know, adopting a lot of the technologies and the integrations, removed a lot of that. And so,

we're really in terms of the type of people that we have, different skill sets is definitely where we're at.

**Justin Angle:** Sure.

**Brigitta Miranda-Freer:** I think we are probably at a good place to thank our, well, do you have a wrap up? Okay. Well, I want to then take this opportunity to just thank our panelists who represent some of the many phases of Montana's international trade and investment portfolio. And thanks, Justin, for this panel. Please join me in giving these folks a hand.

**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 Michele and Loren Hansen.

**Justin Angle:** 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 Amentt and John Wicks made our music.

Editing by Nick Mott. And Jeff Meece is our master of all things sound. Thanks a lot.

We'll see you next time.