

C.L. Cheshire  
Travel Report: August 10 – August 22  
Narrative

On Wednesday, August 10<sup>th</sup>, Matthew Papania, President of Oils of Aloha and I left Honolulu for East Timor. The purpose of the trip was to demonstrate in Baucau, East Timor the oil expeller that Oils of Aloha uses to extract oil from shelled kukui nuts (*Aleurites moluccana*). A second objective of the trip was to secure funding to establish a kukui nut oil production facility in Baucau. A third objective of the trip was to reinforce the partnership between all of the entities involved in the project: University of Hawaii, Oils of Aloha, USAID/DAI (East Timor Mission), GTZ (Baucau Office) and Acelda Company (kukui nut export company located in Baucau).

On Wednesday, August 16<sup>th</sup>, Matthew Papania successfully demonstrated his oil expeller at the famous Dom Bosco Fatumaca Technical School (located near Baucau). The support of Father Locatelli and the staff at the DBFTS was impressive as well as critical. The services of an electrician at the DBFTS were needed to connect the power at the DBFTS to the oil expeller. This required a transformer which the DBFTS electrician quickly put together. During the two days we were at the DBFTS (Tuesday to set up and Wednesday to do the actual demonstration), the DBFTS provided lunch for myself and Matthew Papania and the other members of the project.

The oil expeller demonstration was attended by representatives of the USAID mission (Angela), DAI (Nick Hobgood), MAFF (Adolino), GTZ (Podborny, Bagus and a photographer), UH (myself, Michael Jones and several UH/East Timor staff members), Acelda Company (Hijino and several of his employees), Oils of Aloha (Matthew Papania) and DBFTS (Father Locatelli et al.).

During the prep day on Tuesday and during the demonstration itself on Wednesday Matthew emphasized the need to have good cake (the by-product from the expeller) to put in with the kukui nuts to get the best results from the expeller. Matthew also emphasized the importance of heating the nuts. As the cake improved and the nuts were heated, the performance of the expeller improved significantly.

Even though the expeller technology is very basic, there is an art involved in operating it and proficiency comes with experience. This observation was confirmed by some of Hijino's employees who took a turn operating the expeller and became increasingly proficient the more they worked with it.

As Ms. Podborny (GYZ) and Mr. Bagus (GTZ) became more familiar with the oil expulsion process, they asked questions about the production capacity of the expeller, in particular whether or not the expeller could produce the 212 kg/day used in financial spreadsheets developed for the project. Matthew was able to convince them that it could.

After the demonstration, I had a short meeting with Mr. Adolino from MAFF. He was very interested in seeing the financial spreadsheet developed for the project and wanted to know the start-up costs. I told him that the start-up costs were relatively low which he liked. He seemed interested in developing other kukui nut oil production facilities throughout East Timor. I advised him against this unless he was able to identify buyers for the increased production of kukui nut oil.

Both on Tuesday and Wednesday (after the demonstration) I sat down with Mr. Hijino (Acelda) (using both Michael Jones and Mr. Bagus as translators) and Ms. Podborny (GTZ) and Matthew and went through all of the financial spreadsheets. Mr. Hijino and Ms. Podborny expressed their support for the approach we were taking even though it had changed since I had spoken to them in April. Mr. Hijino liked being the sole owner (with a sales contract from Oils of Aloha) rather than being a partner with Oils of Aloha (in which Oils of Aloha provides the equipment). Ms. Podborny supported the idea of Mr. Hijino going to the bank and getting a loan to buy the equipment needed to produce kukui nut oil rather than paying for the equipment with a grant from USAID as had originally been proposed.

On the Saturday (August 20<sup>th</sup>) that we arrived in East Timor, before we went to Baucau to demonstrate the oil expeller, we had dinner with Nick Hobgood (USAID/DAI) and Angela (USAID). At the dinner, Nick agreed to set up appointments for us at two of the banks in Dili (Caixa Geral de Depositos and Mandiri) to talk to them about lending Mr. Hijino \$80,000 to establish a kukui nut oil production facility at his kukui nut export depot. When Nick came out for the demonstration on Wednesday he said that he had been able to schedule a meeting with director Correia Pinto at CGD for 11:00 am on Friday. Mr. Hijino, Ms. Podborny, Mr. Bagus, Nick Hobgood all agreed to accompany Matthew and I to the meeting with Mr. Pinto. Angela also agreed to attend (she was joined at the CGD meeting by Stephen Vance of USAID who did not attend the expeller demonstration). A meeting with Mandiri could not be scheduled until the following week.

At the meeting with Mr. Pinto, it was obvious that he had no knowledge of the project, but he agreed to look at the loan proposal over the weekend and get back to us. During the afternoon and early evening I prepared the loan proposal (\$80,000 @ 8% for 5 years) and the accompanying spreadsheets and emailed them to Mr. Pinto and all of those who attended the meeting at CGD (these were attached to my earlier Travel Report). By the time I returned to Hawaii (Monday, August 22) there was an email waiting for me from Mr. Pinto (which he had sent the day before, his Monday) stating that:

“I’ve seen the proposal. I think that is good proposal. We need, first of all, that Mr. Higinio can come to us to speak about the property and bring the documents of them, including the documents of Acelda, as soon as possible.” (8/22/05)

I have since heard from Ms. Podborny that she and Mr. Bagus are working with Mr. Higino to get the documents together for CGD:

“Mr. Higino has been to Mandiri Bank as well with Michael. It seems promising. We are now sorting out all of the documents for the credits (for CGD).” (8/29/05)

It appears that progress is being made with regard to securing Mr. Hijino the loan he needs. It is also appears that we have a good partnership between UH, USAID, DAI, GTZ, Oils of Aloha and Acelda in which all of the partners are actively engaged in doing what they can to make the project happen.