

State of Export-Oriented Aroma Industry in Shanghai

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Shanghai is the cradle of the export-oriented aroma industry in China because it is the most developed city in China for its industry, commerce and foreign trade.

More than 40 years ago, many aroma products produced by Polak and Naarden of Holland, Bush and Daniel of UK, Givaudan and Firmenich of Switzerland, and Fritzsche and Felton of the USA were imported to Shanghai regularly for cosmetic and compounding industries across the country. So, in terms of perfumery trade, Shanghai had established business links with fragrance and flavor houses outside China, and now inherits a tradition in doing foreign trade in this field.

The establishment of a modern fragrance and flavor industry in China, however, has enabled China to become a major supplier of perfumery and

flavor materials to international markets after the birth of the People's Republic. The world famous Polar Bear Brand menthol crystals were produced first in Shanghai in the early 40s and exported to the foreign market.

Shanghai Native Produce

Shanghai Native Produce Import & Export Corp. is a state-owned foreign trade enterprise, handling import and export of essential oils and aromatic chemicals since the early 50s. At that time, there were only a few small family-type firms in Shanghai doing processing and compounding business using imports as major raw materials for their finished products. Exports were limited to menthol crystals and peppermint oil in very small quantity.

With the rapid development of national economy

(Left to right) Yong Gulfeng, manager, Essential Oil Dept., Shanghai Native Produce Imp/Exp Corp.; Richard Pisano, Citrus & Allied Essences; Dr. W. Brud, Pollena-Aroma, Warsaw, Poland; Desheng Ding, Research Institute of Flavors & Fragrances, Shanghai, China; Cao Wangkou, Deputy General Manager, Shanghai Native Produce Imp/Exp Corp.; Huang Zhi Xi; and Wu Tze Yun, Consultant.

in the 50s and in view of China's vast area suitable for growth of aroma plants, we started to formulate a strategic project, aiming at setting up production bases for the exploitation of rich resources in this field. With great support from government and close cooperation with research institutes, we achieved considerable results. The following major items were developed in the 50s: menthol crystals, peppermint oil, litsea cubeba, eucalyptus oil, cedarwood oil, spearmint oil, ho oil, sassafras oil, turpentine oil, synthetic camphor and citronella and their derivatives.

In the 60s, we focused our work on the development of the following chemicals: vanillin, coumarin, nitro musks, sandenol, phenylethyl alcohol, benzyl alcohol and its esters, diphenyl oxide. During that period, we helped growers to cultivate many naturals, including Chinese geranium oil, vetiver oil, patchouli oil, and pine needle oil.

In the early 70s, dried sweet potato was utilized as feedstock for the development of a citric acid industry, and very soon foreign sales of the product reached over 1,000 tons.

In the 80s, we developed a number of turpentine-based chemicals including isolongifolene and its derivatives, and a new generation of sandalwood

aromatics. Also, we launched menthyl cedryl ketone (MCK) and other derivatives from cedarwood oil.

All the items listed were first introduced into foreign markets solely through Shanghai Native Produce. They were sold to more than 100 countries and now are indispensable raw materials of great importance to our industry throughout the world.

Obviously, during the past 30 years, Shanghai Native Produce played a pioneering role in the development of China's perfumery industry and in the promotion of its foreign trade. It is still China's largest in terms of export volume of essential oils and aromatic chemicals. In the past decade, the amount of our exports accounted for 34 to 39 percent of the nation's total, and the sales of chemicals now exceed naturals.

The amount of exports from Shanghai port has declined since the mid 80s. This was caused mainly by short supplies of some major items, namely: menthol crystal, Litsea Cubeba, citric acid and vanillin followed by the deepening of China's economic reform in general. Last year we met with difficulty in the supply of those items as growers of essential oil plants moved to more profitable economic crops. The reform of the foreign trade

structure meant that many commodities produced in other provinces, which were marketed by Shanghai Native Produce, now are exported by local foreign trade enterprises. The foreign trade ability of Shanghai port is still superior, however.

We shall continue to improve our service quality and working efficiency, and to integrate scientific research institute, industry and foreign trade as a working team so as to upgrade existing products and develop new ones for export. We have our own lab equipped with advanced instruments, our own processing plant and we work closely with scientists from the research institute of flavor and fragrance.

Joint Enterprises

In the past few years, aiming to expand export-oriented products, a number of new production units have been set up near Shanghai in the form of "joint enterprises." Their purpose is to develop toluene-based products including carbinols and their esters, salicylic acid derivatives and also some value-added chemicals like new sandalwood aromatics, etc. from turpentine oil.

In 1985, for instance, the process of methyl cedryl ketone via cedarwood oil was modified to reduce

the cost of production and upgrade odor quality to international acceptance. Now, our methyl cedryl ketone has become one of the best sellers.

We recently imported advanced equipment in order to increase the output of anhydrous citric acid, meeting demand from both domestic and foreign markets. In a bid to improve and modernize some of our traditional items, we brought in new technology.

In 1987, a joint-venture was established with Takasago of Japan and Chai Chen Perfumery Factory of Shanghai under the name of "Tri-Union Perfumery Co," with a view to developing modern fragrances for home and abroad.

As the biggest foreign trader in China, we are very happy to say that since 1978, the year China adopted an open-door policy, our company has received countless sales and technical delegations of world famous fragrance and flavor houses such as IFF, Givauden, Naarden, Firmenich, PFW, H&R, Quest, Felton, Takasago, etc., and organized outstanding symposiums and presentations for them, introducing their products to our end users and technical people. Since early 1980, we recommended a host of sophisticated products including dihydromethyl jasmonate, iso-E-super, tonalide, etc. to our buyers. They were well accepted by the cosmetic and perfume industries. Usually, any new import once used by Shanghai is adapted quickly by other markets in China. We shall continue to offer these services to our counterparts the world over and to play the role of the "bridge" between China and the rest of the world.

China has a vast territory and abundant resources. In perfumery, there are many fields which need to be exploited and developed. Shanghai will, of course, continue to be the center of China's fragrance and flavor industry and its foreign trade. We are very happy to see that the investment environment in Shanghai has been improved noticeably this year. We, therefore, sincerely invite our foreign partners to come to Shanghai to discuss the feasibility of any form of cooperation, such as, industries processing imported materials, cooperative production, and joint-ventures in China or abroad in the fragrance and flavor business.

We have reason to believe that China, Shanghai in particular, will be one of the stable and reliable supply sources and major consumption marketing for our industry worldwide.

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