

## **Wisconsin Ginseng Farmers Had Been Exporting to China for a Century. Then Came the Trade War**

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August 31, 2019

As volleys in the U.S.-China trade war ricochet from Beijing to Biarritz, ginseng farmers in Marathon County, Wis., are watching with unease; their survival depends on China.

Over 95% of U.S. ginseng exports come from Marathon County, a three-hour drive northwest of Madison, where farmers have been exporting the root to China for a century.

The ginseng root is prized in China and other parts of Asia for its health benefits. It can be purchased as a whole root, powder, or pill; consumed in teas, tonics, and chewing gum. Newer ginseng products include face masks and anti-aging skin cream.

But since China's first round of retaliatory trade measures in April 2018, those farmers have been struggling. Before the trade war, U.S. ginseng imported into China faced a tariff of 7.5%. Now, further tariffs on top of value-added tax charges have resulted in the current 41% fee, hitting sales and fueling fears that Chinese buyers will look to other markets.

U.S. exports of ginseng account for less than 10% of the global supply, according to the Ginseng Board of Wisconsin. Canada produces three times as much and charges a lower price, but Wisconsin-grown ginseng is considered a luxury product, coveted by consumers for its superior taste and quality, thanks to the area's "ideal growing conditions."

"Wisconsin ginseng grown in Wisconsin has a unique flavor and taste because of the soil and the climate it's grown in," says second-generation Marathon County ginseng grower Will Hsu, president of Hsu's Ginseng Enterprises, Inc. On the company's online store, an eight-ounce package of ginseng root goes for \$123 and an eight-gram, 25-year-old "heirloom" root is priced at \$363.

The farmers send about 65% of their crop to mainland China and another 20% to Hong Kong, a major trading point for mainland distributors, meaning Chinese consumers effectively set the market. As a new harvest season looms, almost half of last year's Wisconsin ginseng crop remains unsold. In 2018, the previous year's supply sold out by March.

## **A Chinese market**

Hsu's family farm has seen "the ups and downs of the industry," he says: the ups driven by the increasing wealth and purchasing power of mainland Chinese and Chinese American consumers; the downs fueled first by Chinese and Canadian farmers expanding production and then, in the last year or two, the plummets in revenue "as the trade war has heated up."

Wisconsin's small market share means the farmers have little leverage in negotiations with their Chinese buyers, who want them to absorb the cost of the tariffs. A 2018 news release from the Ginseng Board of Wisconsin said that "many Chinese distributors have expressed concern that they may have to shift purchases to Canadian ginseng."

Another side effect of the trade war is that direct sales of ginseng to Chinese customers visiting the U.S. have stalled over fears that customs officers will confiscate or tax travelers' purchases when they return to China.

Hsu speculates that if the trade war continues, farmers may stop planting ginseng altogether and switch to a crop less dependent on a foreign market.

"I'm a little bit more pessimistic, I think, than most, because I know how dependent we are on the [Chinese] market," Hsu says. "This crop is almost exclusively grown for Chinese consumers. That's where most of the demand is, that's where most of the consumption is."

Dave Schumacher, another second-generation ginseng grower and vice president of the Ginseng Board of Wisconsin, is more upbeat.

"We grow without question the premium ginseng in the world," Schumacher says. "If we weren't growing such premier product, I think we would be far more concerned [about the tariffs], but we have confidence in what we're growing here in Wisconsin."

Schumacher remembers sales slumping "dramatically" after the 1989 Tiananmen Square protests and the 2003 SARS epidemic. But business picked up again after those events, and Schumacher hopes the same will happen with the current slowdown.

"We just hope that [a trade] agreement comes sooner than later, and we can just move on again," Schumacher says.

## **Rooted in history**

American ginseng, one of several species of the root plant, is indigenous to the woods of southern Canada and the U.S. and was long harvested by Native American tribes like the Iroquois.

Asian ginseng, a different ginseng species, has been cultivated in northern China and Korea for thousands of years. The "king of herbs," as it is known in traditional Chinese medicine, has been prescribed for everything from insomnia to erectile dysfunction.

American ginseng debuted on the international trade scene in the 1700s, after a French Jesuit missionary who had visited China and saw Asian ginseng recognized a similar root in the woods near Montréal. He published a booklet on ginseng that helped people identify and harvest the wild root across North America.

That discovery marked a cornerstone in the establishment of U.S.-China trade. The first ever trade ship from the U.S. to China, in 1784, set sail with 30 tons of ginseng in its cargo—a strategic decision by the U.S., which needed new markets and knew there was high demand for ginseng in China. The Revolutionary War had only just ended and Britain had placed a trade blockade on the U.S.

American ginseng became favored in China for its *yin*, or "cooling" effects, while Asian ginseng, the species indigenous to China, is thought to have *yang*, or "heaty" effects, meaning the two are complementary. Chinese demand for American ginseng was so high that the U.S. had to switch from wild harvests to farm cultivation of the slow-growing root in the late nineteenth century.

### **The future of U.S. ginseng**

Schumacher estimates sales are down by at least 15% to 20% at Wisconsin's ginseng farms since the trade war began. But he says that drop is not just because of the tariffs, but also due to increased competition and the rising circulation of counterfeit Wisconsin-branded ginseng.

The farmers have much less lobbying power than larger agricultural sectors hit by the trade war, like soybeans and cotton, they say. They have received some federal aid—\$1.1 million in 2019 to help promote the brand and find new export markets, with support from politicians like Rep. Sean Duffy (R-WI). But above all, "they want fair trade," says Ginseng Board President Robert Kaldunski, a fourth-generation ginseng farmer.

"A majority of the farms are sticking by the current administration, willing to deal with the sufferings and pain, hoping and thinking or knowing that there will be a trade [deal] after that," Kaldunski says.

An August survey of 1,153 American farmers found that 71% supported the president, down eight percentage points from July.

"We are a very small population of individuals and so we know relative to everything else that's going on in the world, 180 [farms] might not seem like a big deal," Hsu says. "But when it's your livelihood, it's a big deal."