

ECONOMICS AND MARKETING OF GINSENG

INTRODUCTION

For the past 3,000 years or more the roots of a perennial plant called ginseng have been an important component of traditional Chinese medicine. The roots of wild American ginseng have been harvested, dried, and exported from the United States and Canada to China, since the mid 1700's. Today, American ginseng is also a very important part of traditional Chinese medicine. It is used as an "adaptogen" that allows the body to adjust to various types of stress. It is not used as a specific cure or remedy for any particular ailment but as a component of many medicinal herbal combinations that help people deal with the aging process and related disorders.

Presently there are dozens of over-the-counter herbal remedies, available in local drug stores, which contain ginseng or ginseng extracts. Ginseng has become one of the most popular herbs of the 1990's as Americans and Europeans seek alternatives to prescription drugs. Unfortunately many of the ginseng products available in local stores do not contain any American ginseng. Usually they contain extracts of either Asian ginseng, which is widely cultivated in China and Korea, or so-called "Siberian ginseng" which is a related plant, but not a true species of ginseng. According to the U.S. Department of Commerce, as long ago as 1858 the U.S. exported more than 350,000 pounds of dried wild ginseng roots. American ginseng has been cultivated in the U.S. since the late 1800's, primarily in the northeast, southeast, and the midwest.

It is extremely important to learn about the economic potential of the various types of ginseng and how to market the product prior to growing it. Raising ginseng is something that a patient person who enjoys growing things can find interesting and potentially profitable but, it requires hard work, at least a small capital investment, and it certainly is not a sure thing. This *Agroforestry Note* will familiarize readers with some economic considerations and marketing tips. For specific information about growing ginseng refer to AF Note Forest Farming-3, *American Ginseng Production in Woodlots*.

TYPES OF GINSENG

American ginseng, (*Panax quinquefolium*)- is a native American herb with a range that extends from Southern Quebec to Northern Georgia and from the East Coast to the Midwest. It grows as an understory plant in the dense shade provided by deciduous hardwood tree species.

Field cultivated ginseng- is grown in raised beds in fields under artificial shade provided by either wood lathe or polypropylene shade cloth for a period of three to four years.

Woods cultivated ginseng- is grown in a forested environment in tilled beds under natural shade for a period of six to nine years.

Wild simulated ginseng- is grown in untilled soil in forests for a period of nine to twelve years or even longer. The dried roots of wild simulated ginseng closely approximate the appearance of truly wild

ginseng.

Wild ginseng- is an internationally protected species. Its collection is either prohibited or strictly regulated in states where it occurs.

COSTS AND RETURNS

Although ginseng root can sell for high prices, ginseng growing in a forest environment is certainly not a “get rich quick” scheme as it takes a minimum of five to eight years of growth before harvesting can occur.

Prospective growers are encouraged to start with a very small investment, perhaps a few ounces of seed plus a hundred rootlets. Expand only if preliminary results are positive. Survival of seedlings and plants up to three years old is a good test of a prospective growing site. The lowest costs of production are associated with the “wild simulated” approach. Projected budgets for a one-half acre plot of “wild simulated” ginseng and a one-half acre plot of “woods cultivated” ginseng are included in Tables 1 and 2.

See tables on reverse page.

MARKETS

In recent years the world market price for field cultivated ginseng has dropped to near the actual cost of production. The prices of woods cultivated and wild simulated ginseng, on the other hand, have risen to levels that can be extremely profitable for landowners with suitable forest stands.

The prices received by growers of field cultivated ginseng have been declining in recent years due to oversupply and are now in the range of approximately \$12 to \$20 per pound for dried root. Properly dried ginseng roots weigh about one third of their original fresh weight. The prices received by wild ginseng harvesters or growers of woodland ginseng have always been significantly higher and in some situations may approach \$300 per pound or more. In general, the age and appearance of the root when harvested and the system of cultivation determine the price received by the grower (see Figures 1 and 2). American ginseng is sorted into at least 40 different grades, based on root shape, color, taste, and age. Most growers know very little about the various grades of ginseng and simply sell all of their roots in bulk. All of the references listed at the end of this *Note* include sources of seed, rootlets for transplanting, ginseng buyers, and consultants.

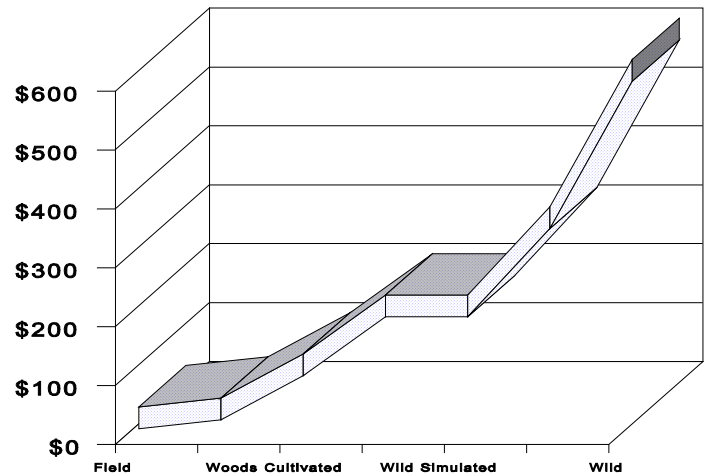


Figure 1: Average price per dry pound of ginseng based on the age of the root.

Figure 2: Average price per dry pound based on the method of cultivation.

Age of Root

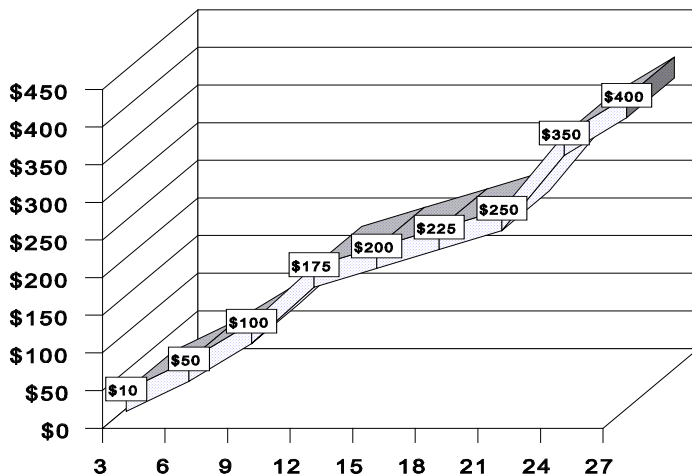
Source of Ginseng Root

FUTURE MARKETS

Unlike many “alternative” agricultural commodities the market for ginseng is well established and easily accessed. Traditionally, fur traders, timber harvesters and other individuals who deal with forest products have purchased woods cultivated or wild ginseng for resale to dealers who export the overwhelming majority of the crop. Most states that have a protection plan for wild ginseng also have lists of licensed ginseng dealers. For details about your state program or a list of dealers contact your local Conservation District.

American Ginseng is gaining popularity among American and European consumers. Eventually a market for “organic” ginseng can be expected to develop, as western people become more familiar with this product. Woodland cultivation is the only possible way to grow ginseng “organically.” Currently, the production of woodland ginseng is so limited that almost all of it is exported to Asian countries. It will most likely continue to be in great demand since the Chinese market alone is enormous. American

woodland ginseng is so expensive in China that only the wealthy can afford to buy it. As Asian economies recover from their current recession, demand will increase.



Growers associations have formed in several states including New York, Maine, Illinois, and Wisconsin to address the marketing issues. Commercial woodland ginseng production is still in its infancy as an industry in the U.S. It is unlikely that supply will exceed demand anytime in the next twenty to thirty years. Ginseng cultivation will always be most profitable in naturally forested areas that have suitable environmental and ecological conditions.

FOR MORE INFORMATION

"American Ginseng Production in New York State." Beyfuss, R.L. Cornell Cooperative Extension of Greene County, HCR 3, Box 906, Cairo, NY 12413

"The Practical Guide to Growing Ginseng." Beyfuss, R.L. RR 1, Box 126 N, Freehold, NY 12431

"American Ginseng, Green Gold. Persons, W.S. Tuckasegee Valley Ginseng, Box 236, Tuckasegee, NC 28783

"The Challenges of the 21st Century, Proceedings of the International Conference-Vancouver 1994." Bailey, W.G., Whitehead, C., Proctor, J.T.A., and Kyle, J.T. Simon Fraser University, Burnaby, British Columbia, Canada

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Source: Agroforestry Notes, *Economics and Marketing of Ginseng*, USDA Forest Service - USDA

Natural Resources Conservation Service, AF Note-15, July 1999

For more information contact the USDA National Agroforestry Center (NAC), East Campus-UNL, Lincoln, Nebraska 68583-0822. Phone: 402-437-5178; fax: 402-437-5712.

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