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Taiwan

Market Development Reports

Ginseng

2006

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Report Highlights:

Taiwan imported 1,272.8 MT of various varieties of ginsengs in 2003, 1147.1 MT in 2004 and 856.1 MT in the seven months through July 2005. Imports of US product represent only a tiny fraction, however, with 6.2 MT in 2003, 10.1 MT in 2004 and 4.7 MT in the seven months through July in 2005. Taiwan's new inspection policy on herbs will be implemented very soon in the next few months. This presents a very good opportunity for US ginseng due to its superior quality, purity and safety in comparison with other imported ginseng.

Includes PSD Changes: No
Includes Trade Matrix: No
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Taipi ATO [TW2]
[TW]

General Market Overview

The overall value of the ginseng market in Taiwan is about \$31 million. Societies throughout Asia place great value on the benefits of ginseng. It is been widely used in Chinese throughout Asian to improve overall energy and vitality, particularly during times of fatigue or stress. While there is little clinical evidence to support the claim that ginseng offers an energy boosting effect, there are studies showing ginseng's potential value in lowering blood sugar and cholesterol levels, stimulating immune functions, treating male impotence, promoting relaxation and enhancing memory. Oriental medicine has deemed ginseng a necessary element in all their best prescriptions, and regards it as preventive, a cure, and a treatment for the infirmities of old age.

Due to its climate, Taiwan does not cultivate ginseng and all ginseng is imported mainly from Korea, Canada, U.S., China and small amounts from Japan. According to Taiwan Customs in the first seven months of 2005, Taiwan imported 595 MT of various ginseng species roots; 1,286 MT in 2004, and 1,413 MT in 2003. American ginseng accounts for only about 6% of total imported ginseng.

Chinese and Korean ginseng are called Asian ginseng and belong to the species of panax ginseng. Asian ginseng has been positioned as a "hot-nourishing ginseng", widely used to maintain body temperature and to boost energy during the winter. Closely related to Asian ginseng is American ginseng (panax quinquefolium), which is sometimes preferred for its milder effects, considered appropriate for any season, and thus can be taken throughout the year. Korean ginseng is considered most expensive and valuable among all ginseng species with American ginseng seen as second. Because Korean ginseng and American ginseng are seen to have different properties and different medicinal uses, so they should have different appeal to consumers. However, Taiwan consumers have traditionally preferred Korean ginseng. In addition, years of strong commercial promotion to build the image of Korean ginseng as a prestigious gift and medicinal source has played a major role driving consumers to buy Korean ginseng.

Ginseng appears on this market in the forms of liquid extract, powder capsules and is sold as the whole root. Ginseng root is used in beverages; tea, candy, chewing gum, cosmetics and skin care products. Ginseng-containing foods and dietary supplements are typically made from a powder or extract of ginseng root. Whole or sliced ginseng roots are marketed in pharmaceuticals only for medicinal use and health care, other ginseng by-products are available in the retail market.

Tihua Street is Taipei's best-preserved and most historically significant retail/wholesale district where most of Taiwan's pharmaceutical (Chinese medicine) retailers and wholesalers are located. Most consumers in Taiwan buy ginseng there. These outlets are located in Taipei's oldest commercial district and wholesalers have operated here for over 100 years. Most have run herb businesses for three generations. They offer a vast array of ginseng, displayed on their shelves. Ginseng typically occupies 50% of a store's shelf space. There is keen competition between these pharmaceuticals. However, as they have been in Tihua Street for years and years, they have their loyal customers. The typical Taiwan medicine shopper always goes back to the same store and does not shop for the lowest price or different products. The so-called competition only happens with walk in customers, which represent very small percentage of ginseng shoppers.

Statistics of Taiwan's Ginseng Import

The statistics of the following are included all imported ginseng roots species.

12.11.20.10 Chie Lin Ginseng,

12.11.20.21 Radix Ginseng Rubua (Korea),

- 12.11.20.22 Radix Ginseng Alba (Korea),
- 12.11.20.41 Pao Sheng (American Ginseng),
- 12.11.20.42 Pao Shen Weu, Hsu, I Chung Shen (Radix Ginseng),
- 12.11.20.43 I Chung Shen Wei, Hsu (Ginseng Radix),
- 12.11.20.90 Other Ginseng Roots

Country	Year Import volume (MT)		
	CY 2003	2004	2005 (Jan. – July)
China	1065.4	984.6	763.2
Korea	42.5	44.1	27.7
Canada	155.5	99.3	53.3
Japan	3.2	5.6	3.9
USA	6.2	10.1	4.7
Hong Kong	0	0	0.02
Other countries	0	3.4	3.3
Total	1278.8	1147.1	856.12

Source: Directorate of General Customs, Ministry of Finance

Regulations and Policies

American ginseng is listed under HS code 1211.20.41.00 for "Pao Shen" (American ginseng) and 1211.20.42.00 for "Radix ginseng".

Fresh ginseng imported to Taiwan are required to have phytosanitary certificates indicating they are free of specific diseases and pests that the Taiwan quarantine authority – Bureau of Animal & Plants Inspection Quarantine (BAPHIQ) forbids from the individual countries. Fresh ginseng from the U.S. is not allowed to enter Taiwan except for products from the states of California and Alaska. Phytosanitary certificate indicating free of *Ditylenchus dipsaci* and *Rhizoglyphus echinopus* for California fresh ginseng and free of *Ditylenchus dipsaci* from Alaska is required for quarantine inspection. Most ginsengs from the U.S. are dried, so this quarantine policy has little affect on U.S. ginseng imports. The Taiwan import tariff on dried ginseng is 0% and no plant quarantine inspection is required at port.

It is the responsibility of the importer, and not the exporter, to have a business license for the marketing of Chinese medicines or a pharmaceutical manufacturing license issued by the Department of Health (DOH). For ginseng products, the commodity description should indicate, in Chinese, that the product is raw Chinese medicine and the specific name of the herbal medicine. In addition, the importer must obtain prior approval from the DOH to import foods in capsule or tablet form. This approval letter may be used only by the importer and authorization for others to use it is prohibited.

Taiwan's import requirements for food products and their enforcement are frequently modified. It is recommended that U.S. exporters contact their Taiwan importer directly to ensure that product specifications meet current Taiwan regulations.

New Inspection Policy for Herb

Pesticide and heavy-metal contamination are safety concerns in some botanical products. Herbal ingredients in this market specially been questioned for containing pesticide residue and heavy-metal beyond the standard limits. Local news has reported that studies conducted by university professors showed that some Chinese medicinal materials in the

local market contained residue of organochlorine pesticides. In particular, ginseng roots tested positive for organochlorine pesticide. This news has brought public concern and worry about the use of ginseng. Plus a few years ago, the United States detected pentachloronitrobenzene (PCNB) in ginseng products, have driven government's attention in herb inspection on pesticide and toxic substances standards.

In order to impose a new inspection regime, the draft of a new inspection policy on herbs for specific pesticides and heavy metal contamination initiated by the Committee on Chinese Medicine & Pharmacy, Department of health (DOH) was distributed to herb related industries for comment on July 27, 2005. DOH will hold a conference and gather more inputs on this issue from Taiwan government agencies, industries, scholars, research institutes, academic, and inspection agencies to finalize the new standards before implementing the new inspection policy.

Toxic substance standards for ginseng roots (proposed draft)

Toxic Substance	Maximum Residue Limit (MRL)
Total Heavy-Metal contamination	<20ppm
Lead	< 2ppm
DDT (Dichloro-diphenyl-trichloroethanum)	< 0.2ppm
BHC (Hexachlorobenzene)	< 0.2ppm
PCNB (Quintozene)	< 0.1ppm

P.S. hexachlorobenzene (PCNB) and lindane are not allowed for use on U.S. food crops because they are possible carcinogens that may also be toxic to the liver and kidneys and may impair oxygen transport in the blood. Another potentially carcinogenic pesticide, hexachlorobenzene (BHC) has been banned from most food-crop use throughout the world including the US. However, both quintozene and hexachlorobenzene have been found in some samples of ginseng in Taiwan. (It has not been found in US ginseng).

U.S. Market Position and Third-Country Competition

Wisconsin grown American ginseng used to enjoy a strong presence in the Taiwan market with its pure, clean premium quality and was well received and recognized by Taiwan consumers. Taiwan ginseng importers also appreciated the value of Ginseng Board of Wisconsin (GBW) seal on the products, but over the past 20 years the amount of imported American ginseng from Wisconsin has steadily decreased from 98% of the market to less than 1% of the market in volume terms. 0.7 MT was imported during first seven months of 2005. This dramatic decline is attributed to three primary factors 1) market pressure from Canada and China; 2) lack of marketing efforts in Taiwan by US exporters; 3) the failure to control and manage of the WGB seal.

GBW members have sold American ginseng seeds to China and Canada for 10 years, and ginseng has been widely grown and harvested in Ontario, Canada, where production unit costs and crop yields are significantly cheaper than in Wisconsin. With the same investment, the production of ginseng in Ontario is about 4,000 pounds per acre, compared to 1,800 pounds per acre in Wisconsin. The import cost difference between Canadian ginseng and Wisconsin ginseng is about 30% lower.

According to Taiwan importers, China's ginseng harvest was around 1,700 MT in 2005; Canada is the second with 850 MT, Wisconsin with 215 MT. China, with its cheaper labor and land, and relaxed environmental controls, has seen considerable production increases in recent years. Large production plus low price (about one third of Wisconsin ginseng) has allowed China to take most of ginseng market in Taiwan. U.S. gradually being squeezed out

of the Taiwan market. This is also due to the fact that WTO has forced Taiwan to open its market to certain Chinese goods a few years ago.

American ginseng used to be marketed very aggressively in Taiwan. The Lieutenant Governor of Wisconsin visited Taiwan 15 years ago and conducted a series of ginseng promotion activities, which successfully started to build, a very positive image of American ginseng in the mind of the Taiwan consumers. The Hong Kong-based Ginseng Board of Wisconsin (GBW) representative was able register more than 30 ginseng importers as certified members of GBW, allowing them to use GBW's licensed seal on their products. That was the peak point and most prosperous period for Wisconsin ginseng. Consumers still think of Wisconsin ginseng is the best ginseng in the market.

However, high sales for Wisconsin ginseng were not maintained for long. GBW lacked effective monitoring and management of their seal in the market because it did not require importers to renew their membership. All importers registered and paid the license fee for one year only, but they still continue to use the GBW seal on their ginseng root and ginseng products. Taiwan importers are very cost sensitive, they imported cheaper ginseng from Canada and China and mislabeled the product with the GBW ginseng seal.

Ginseng Board of Wisconsin (GBW)

In order to restore the vitality of market share GBW used to enjoy, ATO Taipei assisted GBW with a group visit in August 2005 by arranging meetings with pharmaceutical companies, herbal medicine chains, ginseng wholesalers/importers, and the management of National Union of Chinese Medicine Association (NUCM) to exchange views on ginseng current market situation, IPR and trademark infringement, to promote GBW seal contract applications, and to introduce GBW's marketing arm -- The Ginseng & Herb Co-op.

GBW group also informed Taiwan contacts that a GBW Representative would be hired to cover China, Hong Kong and Taiwan markets and would work closely with Taiwan ginseng related industries. A tour of retail outlets let GBW observe the alleged abuse of their registered/approved trademark and purchase products, which were suspected of falsely carrying GBW's trademark. A broadcast of an interview local TV channel performed with GBW Chairman presented about the purpose of GBW's visit were to inform the people about the specialty of Wisconsin ginseng, to sign up the ginseng seal members, and to look into those stores who are misleading the customers with the non-Wisconsin ginseng.

Comment

Wisconsin ginseng has a long trade relationship with Taiwan, but over the past 10 years has lost most of its market share. Last summer's GBW visit to Taiwan aimed to resurrect Wisconsin ginseng in Taiwan market. The GBW also retained a legal firm to register their trademark in Taiwan. However, the GBW also should target consumers to explain that in the future the GBW trademark will be limited to authorized importers only. The GBW also needs to take actions against those misusing their trademark and authorize their legal firm in Taiwan to execute the IPP issue strictly.

Finally, GHC (Co-op)'s role as a single supply window is being received skeptically by importers in Taiwan. Although the purpose is to ensure uniform Wisconsin ginseng quality and reputation, the coop's monopoly position as a supplier is a concern for importers, who prefer (and most often do) negotiating and purchasing directly with the growers or processors. The first ever ginseng auction was held on November 16 to 17, 2005. Taiwan importers were invited, but , as far as we know, none of Taiwan importers attended, as they did not think this auction would run successfully. While Taiwan importers are interested in

purchasing Wisconsin ginseng and are willing to become legitimate users of the GBW seal, importers hope the GBW would review/assess the way the GHC (Co-op) operates and do its best to make the GHC function more efficiently.