Agriculture and Agri-Food Canada Agriculture et Agroalimentaire Canada
Publication Date: March 31, 1999

Canada

A Study of Canola Oil Market Opportunities in South Korea

Prepared for:

The Canadian Department of Foreign Affairs and Canadian Embassy in Seoul

March 31, 1999

Submitted by:

Korea Market Insight Ltd.
Suite 1405, 350 Mapo-dong, Mapo-ku, Seoul 121-703, Korea
Tel: (82-2) 715-5877, Fax: (82-2) 715-5878, E-mail: kmil@unitel.co.kr

---

A Study of
Canola Oil Market Opportunities
in South Korea

Executive Summary

Korea is a huge edible oil market with growth opportunities for Canadian canola oil producers and exporters. Canola oil was introduced to the Korean market in 1991. Since then, Korea imported 8,500 to 12,000 tons of canola oil each year until 1997 and around 5,400 tons in 1998. Canola oil imports represent 1.5 to 2.5 percent of Korea's domestic consumption of edible oils and fats each year. Canada dominated Korea's import market for canola oil up until 1997, but Australian imports slightly surpassed Canada's in 1998.

Consumers largely use soya oil and, to a lesser extent, corn oil. Most consumers are unfamiliar with canola oil, although two major edible oil processors offer rape seed oil products for retail sale. In most cases, consumers choose soya oil or corn oil from habit. Nutritional attributes or health benefits appear to be less important than price or taste in their purchase decisions for edible oil. The consumer market does not appear to be ripe for any significant expansion in canola oil use, at least in the near future.

Soya oil is widely used by food service businesses for frying and cooking purposes. Some fast food

restaurants and Japanese restaurants also use corn oil, palm oil, cotton seed oil, and/or canola oil. For them, price is generally the most important consideration in purchasing edible oil. In this market, the level of awareness of canola oil is also low, except for major fast food franchises. High-end food service users, including hotel restaurants and Japanese restaurants, and fast food chains specializing in chicken dishes would be the prime targets of canola oil marketing.

In the food manufacturing sector, soya oil, palm oil, coconut oil, and beef fat are largely used. Relatively small volumes of canola oil are currently used to produce margarine, shortening, prepared seaweed (laver), fishcake, and confectionery. The growth potential for canola oil seems greatest in this market segment. Price competitiveness and stability are the key factors in their purchasing decisions of edible oil importers, processors and users. Another market opportunity may appear in non-food applications, such as lubricants.

To take full advantage of less-developed or emerging opportunities in the Korean market, the identified market constraints will need to be overcome. To this end, the Canadian industry and government should consider launching organized generic marketing activities in Korea, such as technical seminars, distribution of promotional/technical information, and technical support. The short-term strategic focus should be placed on the food manufacturing and food service sectors. To facilitate and ensure sustainable market growth over the long run, promotional and educational programs for consumers will also be necessary. Canada's consumer marketing efforts would be most cost-effective when conducted jointly with major Korean edible oil importer-processors and fast food franchises.

Since the market is driven largely by cost and pricing factor across all the target segments, canola oil can be substituted for corn oil, rather than cheaper soya oil, considering current market prices and cost structure. To expand the base of future market expansion for canola oil, the Canadian industry should initiate and continue marketing promotion efforts with a long-term view by emphasizing canola oil's superior nutritional quality and health benefits, at least until Koreans' income level and the market demand grow responsive to these attributes.

For the complete report, please contact:

Paul Finn
613-759-7697
finnp@em.agr.ca

or

Murray Mitchell
613-759-7719
mitchellm@em.agr.ca

Canadä