Korea - Republic of

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Edible Oils Market Brief-Palm and Soy Oils Lead the Way

Report Categories:
Oilseeds and Products

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Report Highlights:
In MY 2015/16, 37 percent of the total South Korean edible oil supply was palm oil, 35 percent was soybean oil, 9 percent was rapeseed oil, and 20 percent was an assortment of other oils. While South Korea predominantly used soybean oil and corn oil throughout the 1970s and 80s, the industry has shifted to meet the changing demands of the country’s cosmetic, food, and biofuel industries.

Palm oil is the cheapest available edible oil. Industry experts estimated that in 2016, 55 percent of palm oil was used for biofuels. However, consumption of palm oil for biofuels is limited by its high freezing point which prohibits its usage between October and February. In 2016, about half of the
total food industry usage of palm oil was for instant noodle production.

Soybean oil is the most commonly used oil for food processing and restaurants because of its low cost and physical properties. Rapeseed (canola) is the most commonly purchased oil for home markets because it is low in saturated fat and its price had fallen to only USD19/MT more than soybean oil in MY 2015/16, compared to USD40/MT in MY 2014/15.

In MY 2016/17, total edible oil use for human consumption was expected to stay steady while biofuel consumption is expected to increase. Three trends should continue to affect Korean edible oil consumption. First, more affluent consumers are increasingly influenced by health trends and willing to pay a premium for specialty oils. Second, Koreans are spending more on the convenience of dining out or purchasing pre-made meals, despite these meals having higher oil content and saturated fats than meals made at home. Lastly, biofuel mandates increased from 2.5 percent in 2016 to 3 percent in 2018, which should cause total biofuel consumption to rise, particularly in the case of palm oil.
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History and Culture
Historically, vegetable oil and animal fats were used sparingly in Korean cuisine. As only 30 percent of the peninsula’s mountainous terrain is arable, limited land resources led farmers to favor vegetable and rice production over oilseeds for crushing. Oilseeds that were produced, like soybean, were predominantly for direct consumption. Additionally, there was a short supply of animal fats due to limited cattle or swine production. While frying in oils or fats was common in China, Koreans predominantly used fermentation to preserve foods for the peninsula’s hot summers and cold winters.

Traditionally, the most common vegetable oils in Korea were made from perilla, sesame, camellia, and castor oils. The oils were predominantly used for flavoring, although perilla oil and sesame oil were also used for cooking or shallow frying. Sesame oil was used in guk (soups), namul (cooked greens), or bibimbap (traditional mixed rice and vegetable dish). Perilla seed (a leafy plant from the mint family) would be used for pan frying or stir frying, notably for pajun (Korean pancakes). Even today, the country’s most common meals are relatively low in edible oils and are based around staples of cooked rice, soup, and side dishes like preserved fish, sprouts, and fermented vegetables.¹

Consumption
Per capita consumption of edible oils has risen over time. The increasing availability of both non-Korean and processed foods is the main driver.

Soybean oil is the predominant type used in restaurant preparation and food processing. Restaurants serving Korean food still use comparatively less oil than other types of restaurants: while 52 percent of all dining establishments are Korean restaurants, they use only 10.5 percent of the total soybean oil consumed in restaurants. (U.S. Soybean Export Council)

In the 1970s and 80s, soybean and corn oil made up the majority of sales in the household consumption market. Consumption and purchasing habits have shifted in recent years due to health awareness, market diversity, and the decreasing price spread between soybean oil and other premium oils. In CY 2015, rapeseed oil was the top selling oil for household consumption, followed by soybean oil, olive oil, and grapeseed oil. A 2015 survey found that Korean consumers purchased oils for home consumption first for recipe requirements, followed by quality, taste, health awareness, and cooking qualities (such as the ability to create crispiness).

Edible oil consumption for food processing, restaurants, and household use is expected to remain steady. The household consumption market is the most prone to shifts both in quantity and type of oil purchased because it quickly reflects consumer health trends and market pricing. The food industry is less reactive to market changes because it requires consistency of taste and chemical properties.

¹ Source: Korean diet: Characteristics and historical background (http://ac.els-cdn.com/S2352618116300099/1-s2.0-S2352618116300099-main.pdf?_tid=856fbeb4-66b1-11e7-8473-00000aab0f6b&acdnat=1499830009_034db70c481d91945ed4859407e57e4e)
A new government regulation has mandated that in 2018 the percentage of biofuel in domestic fuel must increase from what was a stipulation of 2.5 percent to 3 percent. As a result, the use of palm oil for biofuel is expected to rise proportionately.

The price of palm oil is consistently USD100 to USD200 cheaper per metric ton (MT) than soybean oil. Due to its high freezing point, palm oil is only used for biofuel from March through September. While crude soybean or rapeseed oil can be used for biofuels from October through February, their usage for this purpose is rare due to their high price compared to alternatives like Palm Fatty Acid Distillate (PFAD) and used cooking oil.

**Imports**

South Korea’s edible oil imports in MY 2015/16 totaled 990,327 metric tons in MY 2015/16, a 1.2 percent increase from MY 2014/2015. In terms of cost, imports totaled USD846.5 million in MY 2015/2016, down 6.2 percent from MY 2014/2015. The pricing trends are due to falling crude oil prices and reduced tariffs.

Korea’s edible oil imports from the United States amounted to USD91.6 million in MY 2015/2016, a 59 percent increase from MY 2014/2015. The increase can be largely attributed to soybean oil imports increasing from USD42.9 to USD73.9 million. In MY 2015/16 imports from the United States in terms of volume totaled 91,591 metric tons, up 58.7 percent from the previous year.

**SECTION II: MARKET SUPPLY**

Korean edible oil supply increased from 1.186 million metric tons (MMT) in MY 2010/11 to over 1.304 MMT in MY 2015/16. Due to increased biofuel demand, palm oil imports surpassed soybean oil as the top edible oil in Korea in MY 2015/16. Palm oil, soybean oil, and rapeseed oil accounted for over 80 percent of all edible oil supply (compared with 71.6 percent in MY 2010/11). Imported oil totaled one MMT, or 76 percent of the total oil supply. Domestically crushed or produced oils totaled 300,000 MT, or 24 percent of total oil supply. Of domestically produced oils, 88.6 percent came from imported seed.

Table 1

<table>
<thead>
<tr>
<th>Commodity</th>
<th>MY 2010/11</th>
<th>MY 2011/12</th>
<th>MY 2012/13</th>
<th>MY 2013/14</th>
<th>MY 2014/15</th>
<th>MY 2015/16</th>
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<tbody>
<tr>
<td>Palm Oil</td>
<td>284,322</td>
<td>308,093</td>
<td>346,614</td>
<td>402,553</td>
<td>445,071</td>
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<td>Soybean Oil</td>
<td>473,387</td>
<td>492,969</td>
<td>450,463</td>
<td>451,194</td>
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<td>Rapeseed Oil</td>
<td>91,968</td>
<td>103,432</td>
<td>103,272</td>
<td>88,350</td>
<td>102,915</td>
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<td>Corn Oil</td>
<td>46,335</td>
<td>46,757</td>
<td>42,119</td>
<td>47,928</td>
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<td>Coconut Oil</td>
<td>61,212</td>
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<td>58,217</td>
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<td>Perilla Seed Oil</td>
<td>25,954</td>
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<td>18,237</td>
<td>22,991</td>
<td>18,699</td>
<td>20,880</td>
<td>25,207</td>
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<td>Sunflower Oil</td>
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<td>Rice Bran Oil</td>
<td>27,812</td>
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<td>Sesame Oil</td>
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<td>Olive Oil</td>
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<td>Tallow</td>
<td>76,712</td>
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<td>10,483</td>
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<td>Castor Oil</td>
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