

Why Does Anyone Need High Oleic Canola Oil?

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Background

By July of 2005, five countries had already announced regulations to minimize or eliminate *trans* fat from the diet. Denmark has announced an outright ban. The United States, Israel, Australia and Canada have announced regulations to require disclosure of *trans* fat content in processed foods. More countries are expected to follow suit. These regulations have driven the food industry to make significant changes to their product formulations to reduce the level of *trans* fatty acids in processed foods. High oleic canola oil, primarily produced in Canada, can be one of the ingredients used for *trans* reformulation.

Market Dynamics

When high oleic canola oil is used, either solely or in a blend, for *trans* reformulation, the potential exists for a significant market expansion for canola. For the process to succeed, however, foods that use high oleic canola oil must be accepted by the consumer. Ultimately, all the investments to produce high oleic canola oil is funded by the consumer. So all the salaries, all the expenses, all the capital investments, all the field trialing, all the increased cost in the supply chain can only exist if the consumer will pay more for high oleic canola oil than standard canola oil. Only if high oleic canola oil delivers a clear consumer benefit, then a share of the consumer dollar will flow back to the supply chain to cover the increased cost of identity preserved crop production.

The first requirement for success for high oleic canola oil is market acceptance of higher value. Without clearly demonstrable consumer value, the science behind fatty acid modification and the business systems required for identity preservation becomes irrelevant. So will consumer pay more for food products that are more nutritious? This article will focus on gauging consumer reaction to foods that communicate nutritional advantages.

Poll Design

To quantify consumer reaction, North American women were polled on the Internet to determine the value of improved nutrition. These women were chosen at random from an e-mail list. The only characteristics they share were

1. An obvious female name
2. Gainful employment
3. Internet access

A series of tests were conducted to determine their reaction to products that carry specific nutritional claims, e.g. "*Trans* Fat Free". These claims were tested singly and in combination, e.g. "*Trans* Fat Free, Saturated Fat Free, No Cholesterol", on multiple product categories. The

women received no prior education on food products, nutritional claims, etc. Different groups of women were selected for each test, so no one had participated in a previous test. The data from two tests, which accurately represented overall consumer reaction to nutritional claims, are discussed below.

Corn Chips

In the first test, they were sent an e-mail with two pictures of corn chips (Figures A & B) and asked to respond to four simple questions. Figure A (below) represents an actual bag of branded chips.

Fig.A :



Figure B (below) represents the same bag of chips with added Nutritional Claims



- A. *Trans* Fat Free
- B. Saturated Fat Free
- C. No Cholesterol

The women were asked to answer four questions:

1. Do you buy this product?
2. Which package do you prefer?
3. Why do you prefer this package?
4. Package A cost X. How much would you pay for package B?

No reference was made to the claims added to Figure B. Their responses are tabulated in [Table I](#).

Ninety-five percent of the respondents indicated that they purchased corn chips. Among these, 71% preferred Figure B over Figure A. (Because an overwhelming majority of the respondents were familiar with the products, there was very little difference among corn chip buyers and everybody's responses.)

Clearly, the overwhelming reason cited by both groups for choosing Figure B over Figure A was health. Question 3 is open-ended and respondents were not prompted to select a particular reason. Their responses ranged from single words to multiple paragraphs, suggesting a range of familiarity with these claims. The results clearly indicate that the claims added to the packaging were perceived to indicate superior health attributes. Whether or not they understood these claims, they were considered trustworthy and important to the consumer.

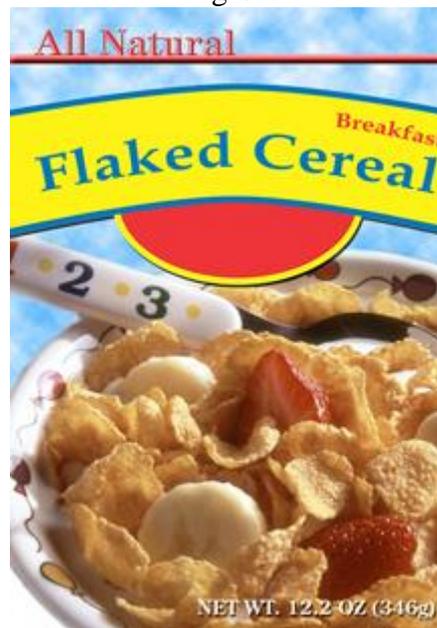
A price of \$3.29 was shown for Figure A, the actual retail cost of a branded product. Approximately two thirds of the respondents expected to pay the same for both packages, but one third of the respondents indicated a willingness to pay more for a product with these

health attributes. The data implies that consumers assign tangible value to healthier products, either through simple preference or willingness to pay a higher price.

Breakfast Cereals

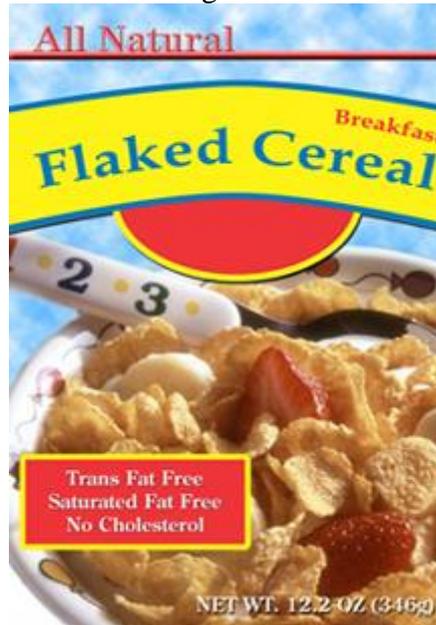
[Table II](#) summarizes a similar test with branded breakfast cereals (Figures C & D). Figure D is the same as Figure C, except that Nutritional Claims were added: *Trans* Fat Free, Saturated Fat Free, No Cholesterol. The results were similar to those obtained for corn chips. Virtually every consumer was familiar with breakfast cereals, so both data sets were similar. In this case, approximately 85% of the respondents chose Figure D over Figure C primarily because they perceived this product as healthier.

Fig C :



Sixty percent of the respondents would pay \$3.09, the actual retail price for this product. More than one third of the respondents expected to pay more for the healthier version of this product shown in Figure D. As with corn chips, consumers buying breakfast cereals perceived higher value in products with nutritional claims.

Fig. D :



Conclusion

The data shown here is representative of a series of consumer focus studies that suggest clearly definable value for food products with nutritional claims. Consumers express this value through either

- I. a direct preference over a comparable product without nutritional claims, or
- II. a willingness to pay more for products with nutritional claims.

These tests began before the U.S. Food & Drug Administration issued its proposed guidelines to label *trans* fat content in processed foods, when the average consumer had little awareness of dietary fats. Nevertheless, the results suggest strong sensitivity to fat-related claims in processed foods. Food manufacturers may gain clear advantage by delivering such claims to achieve a competitive advantage in the marketplace. Only when clear consumer values exist will high oleic canola, or any other trait enhanced crops, be able to succeed.