

USDA Foreign Agricultural Service

GAIN Report

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Required Report - public distribution

Date: 11/7/2012

GAIN Report Number: JA2025

Japan

Dairy and Products Annual

2013 Market Outlook and 2012 Situation Update and Revised Outlook

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Report Highlights:

Japan's 2013 fluid milk demand and supply outlook is not expected to improve dramatically from last year. National fluid milk output, projected slightly lower for next year at 7.54 million MT, will likely not improve the country's butter supply deficit and will most likely force Japan to import roughly the same amount of the current access butter during Japan Fiscal Year (JFY) 2013 as last year. High global market prices for cheese that are forecast for 2013 may slow Japan's overall consumption, as well as imports, which have experienced several years of record-breaking growth.

Commodities:

Dairy, Milk, Fluid

Dairy, Butter

Dairy, Milk, Nonfat Dry

Dairy, Cheese

Production, Supply and Demand Data Statistics:

Fluid Milk PS&D Table

Dairy, Milk, Fluid Japan	2011		2012		2013	
	Market Year Begin: Jan 2011		Market Year Begin: Jan 2012		Market Year Begin: Jan 2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Cows In Milk	805	805	815	813		810
Cows Milk Production	7,474	7,474	7,590	7,570		7,540
Other Milk Production	0	0	0	0		0
Total Production	7,474	7,474	7,590	7,570		7,540
Other Imports	0	0	0	0		0
Total Imports	0	0	0	0		0
Total Supply	7,474	7,474	7,590	7,570		7,540
Other Exports	0	0	0	0		0
Total Exports	0	0	0	0		0
Fluid Use Dom. Consum.	4,058	4,058	4,080	4,010		3,970
Factory Use Consum.	3,351	3,351	3,440	3,500		3,510
Feed Use Dom. Consum.	65	65	70	60		60
Total Dom. Consumption	7,474	7,474	7,590	7,570		7,540
Total Distribution	7,474	7,474	7,590	7,570		7,540

1000 HEAD, 1000 MT

Butter PS&D Table

Dairy, Butter Japan	2011		2012		2013	
	Market Year Begin: Jan 2011		Market Year Begin: Jan 2012		Market Year Begin: Jan 2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks	21	21	17	17		17
Production	63	63	70	68		68
Other Imports	14	14	12	10		9
Total Imports	14	14	12	10		9
Total Supply	98	98	99	95		94
Other Exports	0	0	0	0		0
Total Exports	0	0	0	0		0
Domestic Consumption	81	81	82	78		77
Total Use	81	81	82	78		77
Ending Stocks	17	17	17	17		17
Total Distribution	98	98	99	95		94

1000 MT

NFDM PS&D Table

Dairy, Milk, Nonfat Dry Japan	2011		2012		2013	
	Market Year Begin: Jan 2011		Market Year Begin: Jan 2012		Market Year Begin: Jan 2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks	57	57	42	42		35
Production	137	137	150	140		140
Other Imports	27	27	30	32		32
Total Imports	27	27	30	32		32
Total Supply	221	221	222	214		207
Other Exports	0	0	0	0		0
Total Exports	0	0	0	0		0
Human Dom. Consumption	157	157	160	152		150
Other Use, Losses	22	22	25	27		27
Total Dom. Consumption	179	179	185	179		177
Total Use	179	179	185	179		177
Ending Stocks	42	42	37	35		30
Total Distribution	221	221	222	214		207
1000 MT						

Cheese PS&D Table

Dairy, Cheese Japan	2011		2012		2013	
	Market Year Begin: Jan 2011		Market Year Begin: Jan 2012		Market Year Begin: Jan 2013	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks	15	15	15	15		15
Production	49	49	50	50		51
Other Imports	215	215	225	230		235
Total Imports	215	215	225	230		235
Total Supply	279	279	290	295		301
Other Exports	0	0	0	0		0
Total Exports	0	0	0	0		0
Human Dom. Consumption	264	264	275	280		286
Other Use, Losses	0		0	0		0
Total Dom. Consumption	264	264	275	280		286
Total Use	264	264	275	280		286
Ending Stocks	15	15	15	15		15
Total Distribution	279	279	290	295		301
1000 MT						

Author Defined:

Preface:

This report is an update to *JA 2011*, the 2012 Japan Dairy and Products Semi-annual (5/31/2012).

Post's previous PS&D preliminary projections for 2012 and annual outlook has been further revised based on the latest data (preliminarily) publicized for domestic production, stocks, and imports by the Government of Japan (GOJ).

The data discussed in this report are on a calendar year basis unless specified otherwise. For convenience sake, Post's reference to Japan's current access for dairy commodities, so called the minimum access, and dairy subsidies is based on the Japanese fiscal year (JFY: Starting April and ending March next year). As a result of the Uruguay Round trade negotiations, the GOJ agreed to the commitment to import designated dairy commodities through its state trading entity (up to the total milk equivalent of 137,000 MT), which include butter, NFDM, edible whey, butter oil, and dairy spreads.

The conversion coefficient Post used to calculate milk equivalent volumes for each commodity are: NFDM (6.48), Edible Whey Powder (6.84), Butter (12.34), Dairy Spreads (12.34), and Butter Oil (15.05)

Executive Summary

In 2012, Japan's fluid milk demand and supply outlook improved slightly from the previous semi-annual forecast, particularly for processing use. Meanwhile, weaker than anticipated demand is expected to lower the utilization of fluid milk for drinking on an annual basis. As a result, annual domestic output of butter is projected to rise more than last year, but will still be below levels in 2010. Therefore, this projected increase may not be enough to resolve the current deficit in the butter supply that has prevailed over the last few years. For JFY 2012, Japan committed to its current access butter import of 7,500 MT with the government making an additional importation of 2,000 MT. However, despite these interventions, the market price for domestic butter still remained high, causing total demand to contract.

The NFDM supply situation in 2012 was not bright either. Ingredient demand for NFDM became somewhat lethargic partly due to high market prices and the increased use of alternative ingredients (non-fat concentrate milk derived from cream and also from butter production).

One bright spot in the Japanese dairy sector in 2012 was the continued increase in demand for cheese. Growth in market demand resulted in another record-breaking year for both consumption and imports of cheese. Robust market demand for cheese for shredding was integral in boosting imports of American natural cheese, which is typically used for products such as pizza and baked goods. Therefore, Japan's 2012 imports of American cheese are projected to increase to 25,000 MT – 26,000 MT, repeating last year's record; with a 10 percent share of the cheese import market, the United States is expected to remain Japan's third top supplier, following Australia and New Zealand.

For Japan's 2013 fluid milk supply and demand outlook, dairy farmers will likely face difficulty in sustaining the recovery that began in 2012. The steady growth in fluid milk output that is projected for Hokkaido will most likely not offset the ongoing decline in production that is taking place overall nationally. One of the main reasons causing the decline in dairy output of non-Hokkaido prefectures may be the high price for hay cubes/fodder imports. Post projects that Japan will be able to produce the same level of domestic butter and NFDN as last year, but this amount will still not be sufficient to alleviate the continuing deficit in butter and NFDN supplies (even assuming Japan's JFY 2013 subsidy for fluid milk for processing use remains the same level as the previous fiscal year). In light of the above, Post projects Japan will continue to import butter using the JFY 2013 current access (estimated at 9,000 MT) allocation.

For cheese, high global market prices that are forecast in 2012/2013 appear to be overshadowing the 2013 demand outlook and may limit the growth of imports from all major suppliers, including the United States.

2013 Market Outlook for Fluid Milk, Butter, NFDN, and Cheese (New)

Increasing global prices for feed grains/hay cubes/fodder and for dairy commodities that are projected in 2013 will likely affect next year's market outlook in two ways: first, it may hamper the ongoing recovery in Japan's national fluid milk output; and second, it could slow growth in imports of dairy commodities, especially cheese.

Slightly Lower National Fluid Milk Output Projected in 2013

Japan's national fluid milk output, which partially recovered in 2012 from a three percent decline in the previous year, may not be able to sustain this trend. Post projects national output in 2013 to decline slightly to **7.54 million MT** compared to last year (cows in milk at the year beginning are also projected slightly lower at 810,000 head). Reversing the trend in 2012, a steady rise projected in Hokkaido's fluid milk output will more than likely offset the decline anticipated in combined output for other milk producing prefectures. Post assumes that the Japanese government will continue to maintain the same level of dairy subsidies for fluid milk for processing utilization in JFY 2013 as in the previous fiscal year (see Table 2).

High prices for fuel and feed have been affecting Japanese livestock producers by raising their operating and input costs. Specific to the Japanese dairy sector, the prevailing high import price of hay cubes/dry fodder will most likely hurt dairy farmers by increasing the cost of inputs. This is especially true for non-Hokkaido dairy farms as they rely more heavily on imports of feed (see Note). These high operating costs may force more farmers in these regions to discontinue their operations in 2013, especially small and medium scale farmers.

(Note: Japanese livestock farmers, including dairy farmers, use a formula-mixed feed which is manufactured and distributed by domestic feed mills, with imported feed grains being a major ingredient. Japanese major feed manufacturers have been raising their quarterly prices in response to soaring feed grain prices during this year. A majority of Japanese livestock farmers are enrolled in a voluntary deficiency payment program – known as the “Formula Mixed Feed and Livestock Stabilization Fund”- which was jointly established by the government, feed manufacturers, and livestock producers. In the event that feed grain prices rise sharply, the Fund will reimburse farmers to cover most of the price hikes made for a given period of time.

However, at this time, there is no similar program to cover increases in the import price of hay cubes/dry fodder, which therefore puts dairy farmers at a cost disadvantage. In addition, Post has learned from recent industry media reports that some of the pastures in the Tohoku region have yet to be decontaminated from radiation released in March 2011, which in turn, restricts farmers in that region from using local pastures.

In light of the above, Post projects the following 2013 fluid milk utilization breakdowns: for drinking, down one percent at **3.97 million MT**, primarily due to weak demand for drinking products; for processing, roughly unchanged at **3.51 million MT** from last year. Hokkaido will likely retain a sufficient volume of fluid milk in 2013 and Japan will be able to produce more domestic cheese (up two percent at 51,000 MT) in addition to roughly the same levels of butter (unchanged at **68,000 MT**) and NFDM (unchanged at **140,000 MT**). Even with the above increases, Post expects Hokkaido to continue shipping the same volume of its fluid milk to other parts of Japan for drinking as last year.

Japan’s Butter Imports under the Current Access Likely to Continue in 2013

As noted in the 2012 Butter Section, Japan continues to experience a deficit in its domestic butter supply, despite imports of 9,500 MT made through JFY 2012 current access and additional governmental imports. Insufficient supplies and high market prices have caused a contraction in Japan’s overall demand for butter. Similar to last year, Post projects that the 68,000 MT of butter that will be produced domestically in 2013 will not meet the 77,000 MT of demand that is also expected for this year, and Japan’s overall butter market should remain contracted. This deficit in supply will most likely be met again by the current access import quantities, which is projected at **9,000 MT**. However, even if this import level is met, Post expects year ending stock’s will continue to be low and unchanged from the previous year at 17,000 MT.

NFDM Supply and Stocks will Continue to be Tight in 2013

Similar to 2012, Japan’s NFDM demand and supply outlook is projected to remain lethargic in 2013. This is partly due to the increased use of NFDM alternatives which are becoming more popular with Japanese dairy ingredient users. Total demand for 2013 is projected slightly lower compared to last year at **177,000 MT** (in which NFDM imports for feed use, at 27,000 MT, is the same as last year). As

domestic dairy manufacturers are expecting to produce only 140,000 MT to meet this demand, it will be difficult to build up stocks, and Post projects year ending stocks to be 30,000 MT, down from the year beginning level of 35,000 MT. This limited amount of stocks is of some concern as it may not be sufficient to meet any unexpected surges in seasonal NFDM demand and would require additional NFDM imports, either under the JFY 2013 current access or government's additional import scheme. Such additional imports would need to be 3,000 – 5,000 MT in order to bring demand and supply into balance.

High Global Prices for Cheese May Slow Consumption and Import Growth in 2013

Higher global cheese prices, projected in 2013 due to tighter milk supplies and shrinking stocks, may slow growth in Japan's cheese consumption rate, potentially slowing imports as well. Post projects moderate growth for Japan's 2013 cheese consumption and import outlook, although both will have record-breaking years again, with total demand up two percent at 286,000 MT and total imports also up two percent at 235,000 MT. However, if import prices repeat the high levels last seen in 2008 (USD 5,388 per MT in 2008 compared to USD 4,712 in 2010 and USD 5,175 in 2011), total consumption in 2013 may decline, affecting all major suppliers including the United States. EU cheeses, which are relatively high priced and mostly for direct consumption, may be the most affected.

2012 Japan Fluid Milk, Butter, NFDM, and Cheese Update Market Situation and Outlook (Revised)

Fluid Milk Section - Weaker Drinking Milk Consumption Eased Tightness in Fluid Milk Supply

GOJ data released in July showed a one percentage point rise in the number of cows in milk at 813,000 head in the year beginning national dairy herd inventory. This figure was also close to Post's May 2012 semi-annual projection (see Table 10). Accordingly, Japan's 2012 national milk output is also projected to recover one percent from the previous year to reach around **7.57 million MT** (estimated annual average output per cow at about 9,300 kilograms). As this level is still two percent lower compared to 2010, it seems to reaffirm the underlining difficulties faced by Japan's dairy sector in reversing the gradual decline in the national fluid milk output. The total number of dairy farms in operation at the beginning of 2012 fell by four percent from the previous year to 20,100 (Hokkaido, down three percent at 7,270 farms, and other milk producing prefectures, down five percent to 12,830 farms). The rate of farmers leaving the dairy sector also does not seem to be slowing. Reasons for the decline in dairy farms include aging farmers without successors, high operation costs due to increased price of feed, fodder, fuel and labor, debt-ridden operations, and limited scope for expansion, especially in milk producing prefectures outside Hokkaido (see JA 1047 Japan, Dairy and Products Annual dated December 15, 2011).

To reflect weaker than anticipated 2012 sales of drinking milk products, Post revised its semi-annual projections for Japan's fluid milk utilization: down for drinking use to **4.01 million MT** and up for processing use to **3.5 million MT**, up one percent and down four percent when compared to 2011 figures respectively. A plunge in sales of processed milk and lactic acid bacteria drinks appears to have more than offset increases in sales of milk beverages and fermented milk products (yogurt), while sales of regular milk sustained their previous year's level (see Table 3).

Lower than anticipated use of fluid milk for drinking milk products eased the tight fluid milk stocks that were projected to be available for processing utilization in the previous semi-annual. As a result, milk shipped from Hokkaido to other regions for drinking use/sales has reportedly been lower than last year, allowing for more supplies for processing to be available (see Note). Data from the Ministry of Agriculture, Forestry, and Fisheries (MAFF) confirms that total fluid milk used for processing rose by seven percent for the first eight months of 2012 with production of major dairy commodities also increasing: up 10 percent for butter, up three percent for cream, and up one percent for NFDM (see Table 4 and see Butter and NFDM sections). MAFF's data also confirms that domestic cheese production rose by four percent in the same period (see Cheese section).

Note: Hokkaido is Japan's most important state for milk and dairy production, responsible for over 50 percent of the country's fluid milk output. As a result, major dairy companies have concentrated their factories in Hokkaido with almost 80 – 90 percent of the country's fluid milk processing occurring there. This factory concentration makes Hokkaido's dairy farmers the biggest recipients for the GOJ's subsidy programs designated to support dairy processing. Other provinces, with their geographic advantages of being close to highly populated metropolitan cities and towns, mainly produce drinking milk products and, as the government does not subsidize fluid milk for drinking use, their products are usually higher priced.

Butter Section - Japan to Make Additional Butter Imports on Top of the Current Access in 2012

Japan's overall 2012 butter supply situation has been more or less in line with the semi-annual outlook's projection of a deficit. Owing to an increase in fluid milk available for processing in Hokkaido, Post projects the 2012 total domestic butter output to rise by eight percent from last year to **68,000 MT**. The GOJ's imports of butter under the JFY 2012 current access scheme, totaling 7,459 MT, were not enough to meet annual demand (see Note – List of GOJ's current access imports). On a month-to-month comparison through August, average market prices of domestic butter traded among bulk users have remained eight to nine percent higher than last year (see Table 7).

In August, to alleviate a potential shortage during the peak sales during the end of December, MAFF announced its intention to import an additional 2,000 MT of butter for industrial use (to be imported by

November), making the GOJ's total butter import for JFY 2012 at 9,459 MT. (Note: This purchase was the second fiscal year in a row that the GOJ made purchases on top of the current access quantities.)

New Zealand, Australia, and the Netherlands dominated bidding for the JFY 2012 current access/additional imported butter, each sharing 50 percent, 18 percent and 22 percent respectively (see also Table 8-A and 8-B). Unlike JFY 2011, the United States was less successful, seeing its share reduced to nine percent, due to tough competition with the above three suppliers. Finally, it is less likely that the GOJ will make an additional purchase during this calendar year.

The current deficit supply has caused dairy companies to ration sales and raise prices, which in turn, has forced some consumers to switch to other alternatives. Since 2008, major dairy companies have continued to raise the price of retail packs of butter (typically 200 grams – salt added), and with the recent announcement of additional price hikes, the price of one pack of butter, according to an industry paper, will have risen by 15 – 20 percent over the past four years (up JP 60 yen to around JP 400 Yen per pack). With these high prices, cheaper alternative retail products are reportedly selling well. (Note: Retail demand for butter is estimated to share 25 to 30 percent of the total butter in distribution with the remainder going to industrial use).

In light of the above, Post revised Japan's 2012 annual demand for butter from a slight increase projected in the semi-annual to a four percent decline at **78,000 MT**, which will likely keep year-ending stocks at the same low level as last year, estimated at 17,000 MT (see Table 6).

Note:

JFY 2012 Current Access Purchasing List for Dairy Products Announced by the GOJ

- Feb: 2012 – Butter 4,000 MT
- Feb. 2012 – Edible Whey: 3,000 MT
- May 2012 – Dairy Spread: 800 MT
- May 2012 – Butter Oil: 300 MT
- May 2012 – Butter: 3,459 MT
- Aug. 2012 – Butter: 2,000 MT (Additional Imports on top of the current access)
- Sept. 2012 – Edible Whey: 1,500 MT
(by September, the GOJ fully committed the JFY 2012 Dairy current access).

NFDM Section- Increased Use of Liquid Non-Fat Concentrate Milk to Ease Tightness in Supply in 2012

Japan's 2012 total NFDM supply should be smaller than the semi-annual outlook projection, largely due to lower than anticipated increases in annual domestic output. Domestic NFDM output for Jan. – Aug. was up only one percent from the same period of 2011, in contrast to a 10 percent increase in butter output (see Table 4). Post expects this trend will last through this year with annual output projected only up by two percent to **140,000 MT**, again in contrast to the eight percent growth projected for butter. A market source attributes the above disparity to efforts by the Japanese dairy industry to focus

on the butter shortage and tight NFDM supply simultaneously. Since no NFDM imports were made through JFY 2012 current access, manufacturers increased use of non-fat concentrate milk (which is essentially a cream by-product) as an alternative for dairy products/desserts/drinks. Sales of yogurt have been exceptionally robust in 2012, triggered by a TV program which aired earlier this year highlighting its health benefits. To meet demand, more non-fat concentrate milk was used for yogurt production instead of NFDM (see Table 1 and Table 3).

In a month-to-month comparison through August, average market prices of domestic NFDM traded among bulk users remained four to five percent higher over last year indicating tightness in the overall supply for ordinary uses in dairy products, bakery, and desserts/confectionery (see Table 7). Market sources attributed the high price of NFDM as the cause of a 12 percent plunge in processed drinking milk production for Jan. – Aug., (see Table 3), in addition to strong demand for whey protein concentrate (WPC) imported under the JFY 2012 current access (see Note).

In light of the above, Post revised Japan's 2012 annual NFDM from a modest increase projected in the previous semi-annual to unchanged at **179,000 MT** from the previous year. With Japan not making any NFDM imports under the current access this fiscal year, stocks, which were already low at the start of this year, have decreased even further and are now projected 17 percent lower at 35,000 MT by the end of the year (see Table 6). Post's projection for total NFDM imports in 2012 (combined total for school lunches, livestock feed, and other uses) were raised to 32,000 MT to reflect increased imports of feed-use NFDM (see Table 5).

Note: Against the total 4,500 MT of WPC imported under the JFY 2012 current access tendered, the total bid volume made by Japanese dairy companies was reportedly four times higher, suggesting that demand for WPC is strong in Japan, especially for health and functional foods. The United States gained a 24 percent share of total bids this year, followed by New Zealand (17 percent), France (19 percent) and Germany (19 percent) respectively. The U.S. success is the result of the US Dairy Export Council's (USDEC) efforts over the past 10 years in promoting the health attributes and applications of WPC containing different levels of protein.

Cheese Section - Japan's Market to Have Another Record-breaking Year in Growth and Imports in 2012

2012 should be another record breaking year for the Japanese cheese market with total consumption projected to reach its highest level ever, up by six percent to **280,000 MT** and total imports, up seven percent to a historic level of **230,000 MT**. Overall sales of cheese have reportedly been higher than last year, both for direct consumption at retail, as well as ingredients for foods sold in food service and convenience shops, such as baked goods and pizzas (see Table 1 for average household consumption).

A modest increase in fluid milk shipped to cheese factories, averaging up around two percent, is expected to raise Japan's 2012 annual domestic cheese output to total an estimated **50,000 MT**.

For the first eight months of this year, Japan’s cheese imports, supported by lower prices, increased 11 percent to 151,850 MT. Imports from the United States (up 31 percent) and New Zealand (up 25 percent) were robust (see Table 9-A and B). American natural cheese is popular in Japan for shredding use for foods such as pizza. Cheese imported under the zero tariff quota increased four percent at 38,469 MT, with New Zealand, up 14 percent, and Australia, down five percent reflecting solid sales of domestic cheese this year (see Note). According to market sources, domestically produced cream and string cheese for direct consumption are also gaining in popularity in the retail sector.

Japan’s demand for shredded cheese for pizzas and similar foods, will likely help American cheese reach another record-breaking year with annual imports reaching around 25,000 – 26,000 MT (over 10 percent of total cheese imports). However, industry sources are concerned with the recent upward trend in dairy commodity prices, including cheese, and its potential to slow imports, especially high priced items for direct consumption.

Note: As a result of the Uruguay Round trade negotiations, Japan agreed to provide a TRQ - also known as a “Zero Tariff Quota” for imported natural cheeses that are intended to be blended with domestically produced natural cheeses to make processed products (slice packed cheese, string type, etc). For other imports for direct consumption, Japan agreed to liberalize its cheese market by agreeing to tariffication. To protect Japan’s domestic producers and industry, import duties for natural cheeses range from 20 - 30 percent and around 40 percent for processed cheese. The Zero Tariff Quota for JFY2012 is 66,200 MT, up 300 MT from the previous year. Australia and New Zealand are the two major stake-holders in the Zero Tariff Quota category, holding around a 90 percent share every year.

Table 1: Japanese Household Consumption of Milk and Dairy Commodities (Two or More person’s household)

Average Quantities Purchased per Household									
		2009	2010	% Chg.	2011	% Chg.	2011	2012	% Chg.
	Unit	Jan/Dec	Jan/Dec		Jan/Dec		Jan/Aug	Jan/Aug	
Milk	Liter	85.05	85.41	0%	80.99	-5%	53.80	54.35	1%
Cheese	gram	2,395	2,588	8%	2,674	3%	1,708	1,786	5%
Butter	gram	484	504	4%	501	-1%	333	338	2%
Margarine	gram	1,387	1,259	-9%	1,256	0%	828	849	3%
Powdered Milk	gram	451	393	-13%	368	-6%	237	237	0%
Bread for Toast/Sandwich	gram	19,911	19,956	0%	19,496	-2%	13,065	13,188	1%
Average Expenditures per Household									
		2009	2010	% Chg.	2011	% Chg.	2011	2012	% Chg.
	Unit	Jan/Dec	Jan/Dec		Jan/Dec		Jan/Aug	Jan/Aug	
Milk	Yen	16,569	16,332	-1%	15,448	-5%	10,216	10,204	0%
Cheese	Yen	4,001	4,080	2%	4,171	2%	2,671	2,757	3%
Butter	Yen	841	852	1%	868	2%	558	603	8%
Margarine	Yen	963	874	-9%	879	1%	580	603	4%
Yogurt	Yen	8,138	8,446	4%	8,717	3%	5,755	6,920	20%
Milk Beverages	Yen	1,200	1,229	2%	1,285	5%	837	868	4%
Lactic Acid Bacteria Drink	Yen	3,239	3,381	4%	3,392	0%	2,279	2,388	5%
Powdered Milk	Yen	832	717	-14%	715	0%	477	457	-4%

Bread for Toast/Sandwich	Yen	8,927	8,572	-4%	8,633	1%	5,761	5,777	0%
Confectionaries	Yen	80,403	78,861	-2%	76,801	-3%	51,000	52,213	2%

Source: Household Statistic Ministry of Internal Affairs and Communications (Compiled from E-Stats Data System by Post)

Table 2: Government Subsidy Payment and Eligible Fluid Milk Quota for Processing Use

	Unit Subsidy Payment		Eligible Volume
	Yen/Kg.	Type	Million MT
JFY1995	11.49	deficiency payment	2.30
JFY1996	11.49	deficiency payment	2.30
JFY1997	10.87	deficiency payment	2.40
JFY1998	10.84	deficiency payment	2.40
JFY1999	10.80	deficiency payment	2.40
JFY2000	10.30	deficiency payment	2.40
JFY2001	10.30	direct payment	2.27
JFY2002	11.00	direct payment	2.20
JFY2003	10.74	direct payment	2.10
JFY2004	10.52	direct payment	2.10
JFY2005	10.40	direct payment	2.05
JFY2006	10.40	direct payment	2.03
JFY2007	10.55	direct payment	1.98
JFY 2008	11.55	direct payment	1.95
JFY 2008 (Revised)	11.85	direct payment	1.95
JFY 2009	11.85	direct payment	1.95
JFY 2010	11.85	direct payment	1.85
JFY 2011	11.95	direct payment	1.85
JFY 2012	12.20	direct payment	1.83

Source: ALIC Monthly

Table 3: Japanese Utilization of Fluid Milk for Drinking Milk Products

Unit: 1,000 Kilo Liters							
	2009	2010	2011	% Chg.	2011	2012	% Chg.
	Jan/Dec	Jan/Dec	Jan/Dec		Jan/Aug	Jan/Aug	
Total Drinking Milk Products	3,804	3747	3652	-3%	2,414	2371	-2%
Regular Milk	3,180	3,069	3,064	0%	2,017	2,019	0%
Processed Milk	625	678	589	-13%	398	352	-12%
Milk Beverages	1,180	1,210	1,276	5%	836	876	5%
Fermented Milk	821	841	843	0%	554	670	21%
Lactic Acid Bacteria Drinks	199	184	178	-3%	124	114	-8%

Note: Processed Milk: low fat, high fat, vitamin and mineral fortified, calcium enriched
Milk Beverages: flavored milk (coffee and fruits flavored)
Fermented Milk: Yogurt etc.
Source: ALIC Monthly

Table 4: Japanese Production of Dairy Commodities

Unit: Metric Ton							
	2009	2010	2011	% Chg.	2011	2012	% Chg.
	Jan/Dec	Jan/Dec	Jan/Dec		Jan/Aug	Jan/Aug	
Butter	80,998	73,621	62,845	-15%	45,200	49,920	10%
Cream	104,898	107,441	111,663	4%	70,366	72,788	3%
Whole Milk Powder	12,565	13,250	14,302	8%	10,968	9,443	-14%
Prepared Milk Powder	34,914	32,942	27,559	-16%	19,463	15,124	-22%
Skim Milk Powder (NFDM)	167,256	155,625	137,141	-12%	95,047	96,326	1%
Ice Cream (Unit: kilo liter)	128,614	130,589	137,072	5%	92,994	94,709	2%

Source: ALIC Monthly

Table 5: Japanese Imports of Non Fat Dry Milk (NFDM)

Unit: Metric Ton							
	2009	2010	2011	% Chg.	2011	2012	% Chg.
	Jan/Dec	Jan/Dec	Jan/Dec		Jan/Aug	Jan/Aug	
For School Lunch Program	2,109	1,983	1,959	-1%	1,459	1,462	0%
For Feeds	22,143	24,909	22,264	-11%	14,747	18,488	25%
For Other Use (Current Access)	10,082	3,292	3,014	-8%	2,113	1,925	-9%
Total NFDM Imports	34,333	30,184	27,237	-10%	18,319	21,875	19%

Source: ALIC Monthly

Table 6: Monthly Ending Stocks of Butter and NFDM

Unit: 1,000 Metric Ton					
Butter					
	2010	2011	% Chg.	2012	% Chg.
Jan	32.6	22.55	-31%	18.93	-16%
Feb	32.8	21.14	-36%	18.87	-11%
Mar	32.6	20.61	-37%	19.08	-7%
Apr	32.5	21.34	-34%	19.4	-9%
May	34.1	22.96	-33%	20.9	-9%
Jun	34.5	22.66	-34%	21.5	-5%
July	33.9	21.84	-36%	21.5	-1%
Aug	33.1	22.95	-31%		
Sept	30.0	21.82	-27%		
Oct	27.3	20.65	-24%		
Nov	24.4	18.56	-24%		
Dec	21.0	16.51	-21%		
NFDM					
	2010	2011	% Chg.	2012	% Chg.
Jan	65.1	60.69	-7%	45.91	-24%
Feb	67.7	60.64	-10%	46.44	-23%
Mar	69.7	58.70	-16%	47.62	-19%
Apr	71.8	58.17	-19%	48.2	-17%
May	74.8	58.22	-22%	48.2	-17%
Jun	74.5	54.70	-27%	47.1	-14%
July	71.3	50.34	-29%	44.9	-11%
Aug	68.6	47.11	-31%		
Sept	61.4	42.88	-30%		
Oct	57.6	40.39	-30%		
Nov	56.3	39.09	-31%		
Dec	57.4	41.81	-27%		

Source: ALIC Monthly

Table 7: Average Wholesale Price of Dairy Products for Bulk Users

Butter					
Unit: JP Yen per Kg.					
	2010	2011	% Chg.	2012	% Chg.
Jan	1,081	1,062	-2%	1,140	7%
Feb	1,073	1,057	-1%	1,142	8%
Mar	1,074	1,065	-1%	1,158	9%
Apr	1,060	1,069	1%	1,172	10%
May	1,057	1,077	2%	1,179	9%
Jun	1,051	1,087	3%	1,189	9%
July	1,049	1,094	4%	1,192	9%

Aug	1,049	1,110	6%		
Sept	1,050	1,120	7%		
Oct	1,050	1,129	8%		
Nov	1,050	1,133	8%		
Dec	1,051	1,138	8%		
Non Fat Dry Milk					
Unit: JP Yen per 25 Kg.					
	2010	2011	% Chg.	2011	% Chg.
Jan	14,981	14,564	-3%	15,200	4%
Feb	14,955	14,512	-3%	15,211	5%
Mar	14,957	14,515	-3%	15,236	5%
Apr	14,922	14,584	-2%	15,246	5%
May	14,884	14,641	-2%	15,251	4%
Jun	14,751	14,701	0%	15,243	4%
July	14,656	14,736	1%	15,264	4%
Aug	14,610	14,864	2%		
Sept	14,593	14,987	3%		
Oct	14,568	15,085	4%		
Nov	14,571	15,140	4%		
Dec	14,574	15,156	4%		
YTD Jan - July	104,106	102,253	-2%		
Source: ALIC Monthly					

Table 8-A: Japanese Imports of Butter YTD

Annual Series: 2007 - 2011, Year To Date: 08/2011 & 08/2012									
Quantity (Metric Ton/Customs Clearance Basis)									
Partner Country	Unit	Calendar Year					Year To Date		
		2009	2010	2011	% Change (11/10)	2011 Share	08/2011	08/2012	% Change
World	MT	333	2,032	14,026	590%	100%	9,914	6,485	-35%
United States	MT	26	173	5,016	2799%	36%	3,699	886	-76%
New Zealand	MT	143	474	4,974	949%	35%	3,806	3,181	-16%
Netherlands	MT	0	860	2,037	137%	15%	1,689	672	-60%
Australia	MT	87	269	931	246%	7%	89	1,638	1740%
Germany	MT	2	111	703	533%	5%	503	0	-100%
France	MT	70	136	358	163%	3%	125	97	-22%
Others	MT	5	9	7	-22%	0%	3	11	267%
Source of Data: Global Trade Atlas - Japan Customs									

Table 8-B: Average C&F Price of Imported Butter YTD

Annual Series: 2007 - 2011, Year To Date: 08/2011 & 08/2012								
Unit Value(United States Dollars)								
Partner Country	Unit	Calendar Year				Year To Date		
		2009	2010	2011	% Change	08/2011	08/2012	%Change
World	per MT	6,199.29	4,766.38	5,554.03	17%	5,648.68	3,580.09	-37%
United States	per MT	5,161.88	4,351.16	5,533.35	27%	5,463.65	3,662.34	-33%
New Zealand	per MT	2,442.61	3,941.29	5,029.20	28%	5,298.83	3,343.28	-37%
Netherlands	per MT	0.00	4,384.05	6,121.21	40%	6,131.94	3,949.89	-36%
Australia	per MT	4,914.13	4,824.76	5,241.40	9%	7,629.06	3,354.08	-56%
Germany	per MT	16,604.69	4,275.81	6,393.38	50%	6,410.43	15,271.46	138%
France	per MT	15,556.11	10,659.50	9,025.00	-15%	10,736.62	11,361.74	6%
Source of Data: Global Trade Atlas - Japan Customs								

Table 9-A: Japanese Imports of Cheese YTD

Annual Series: 2007 - 2011, Year To Date: 08/2011 & 08/2012	
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Quantity (Metric Ton/Customs Clearance Basis)									
Partner Country	Unit	Calendar Year					Year To Date		
		2009	2010	2011	% Change	2011 Share	08/2011	08/2012	%Change
World	MT	184,242	199,080	215,262	8%	100%	136,585	151,850	11%
Australia	MT	84,059	85,120	90,062	6%	42%	57,271	59,876	5%
New Zealand	MT	49,751	52,098	56,329	8%	26%	35,423	44,167	25%
United States	MT	6,885	13,672	21,424	57%	10%	13,653	17,852	31%
Germany	MT	10,185	11,203	9,363	-16%	4%	5,969	5,264	-12%
France	MT	7,141	8,150	9,023	11%	4%	5,692	5,905	4%
Denmark	MT	8,156	7,769	8,295	7%	4%	5,385	5,097	-5%
Italy	MT	5,915	6,241	6,584	5%	3%	4,116	5,082	23%
Netherlands	MT	5,626	6,605	6,373	-4%	3%	3,908	3,785	-3%
Argentina	MT	4,239	4,248	4,057	-4%	2%	2,682	2,262	-16%
Others	MT	2,285	3,974	3,752	-6%	2%	2,486	2,560	3%

Source of Data: Global Trade Atlas - Japan Customs

Table 9-B: Average C&F Price of Imported Cheese YTD

Annual Series: 2007 - 2011, Year To Date: 08/2011 & 08/2012									
Unit Value(United States Dollars)									
Partner Country	Unit	Calendar Year				Year To Date			
		2009	2010	2011	% Change (11/10)	08/2011	08/2012	% Change	
World	Per MT	4,414.13	4,711.96	5,174.53	10%	5,071.95	5,044.66	-1%	
Australia	Per MT	3,649.12	4,012.20	4,462.41	11%	4,359.93	4,562.21	5%	
New Zealand	Per MT	3,745.99	4,179.03	4,510.62	8%	4,433.32	4,402.76	-1%	
United States	Per MT	7,128.57	5,548.99	5,261.59	-5%	5,058.64	4,810.12	-5%	
Germany	Per MT	3,703.39	3,826.18	4,593.53	20%	4,567.70	4,306.02	-6%	
France	Per MT	9,371.43	9,617.14	10,102.54	5%	9,732.29	9,649.64	-1%	
Denmark	Per MT	6,347.26	6,582.97	7,300.70	11%	7,257.44	6,862.16	-5%	
Netherlands	Per MT	4,416.49	4,424.31	5,195.67	17%	5,267.52	4,865.81	-8%	
Italy	Per MT	10,218.83	10,158.67	11,585.84	14%	11,630.80	10,598.69	-9%	
Argentina	Per MT	3,137.10	3,662.83	4,257.50	16%	4,142.60	4,269.50	3%	

Source of Data: Global Trade Atlas - Japan Customs

Table 10: Japanese National Dairy Herd Year Beginning Inventory (as of February 1)

	2011	2012	% Change
All Prefectures			
Number of Farms (Farms)	21,000	20,100	-4%
Number of National Dairy Herd Total (Heads)	1,467,300	1,449,000	-1%
Total Cow(Heads)	932,900	942,600	1%
Cows in milk (Heads)	804,700	812,700	1%
Dry Cows (Heads)	128,200	129,900	1%
Heifer (Heads)	534,400	506,400	-5%
Hokkaido			
Number of Farms (Farms)	7,500	7,270	-3%
Number of Hokkaido Dairy Herd Total (1,000 Heads)	827,900	821,900	-1%
Total Cow	479,600	495,400	3%
Cows in milk (Heads)	407,000	421,200	3%
Dry Cows (Heads)	72,600	74,200	2%
Heifer (Heads)	348,300	326,600	-6%
Other Prefectures			
Number of Farms (Farms)	13,500	12,830	-5%
Number of Hokkaido Dairy Herd Total (1,000 Heads)	639,400	627,100	-2%
Total Cow	453,300	447,200	-1%
Cows in milk (Heads)	397,700	391,500	-2%
Dry Cows (Heads)	55,600	55,700	0%
Heifer (Heads)	186,100	179,800	-3%

Note: 2012 data are still preliminary.

Source: MAFF Livestock Statistics