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Report Highlights:

FAS/Tokyo projects that Japan's fluid milk production will decline in 2025, primarily due to a decrease in the milking cow population anticipated from 2024. However, production of butter and non-fat dry milk is expected to remain steady, supported by a surplus of milk resulting from weak demand for drinking milk. Butter demand, particularly in the confectionery sector, is bolstered by tourism, leading FAS/Tokyo to predict an increase in butter imports for both 2024 and 2025. While cheese consumption remains stable, it is not robust enough to drive significant production growth.

General Information:

Fluid Milk

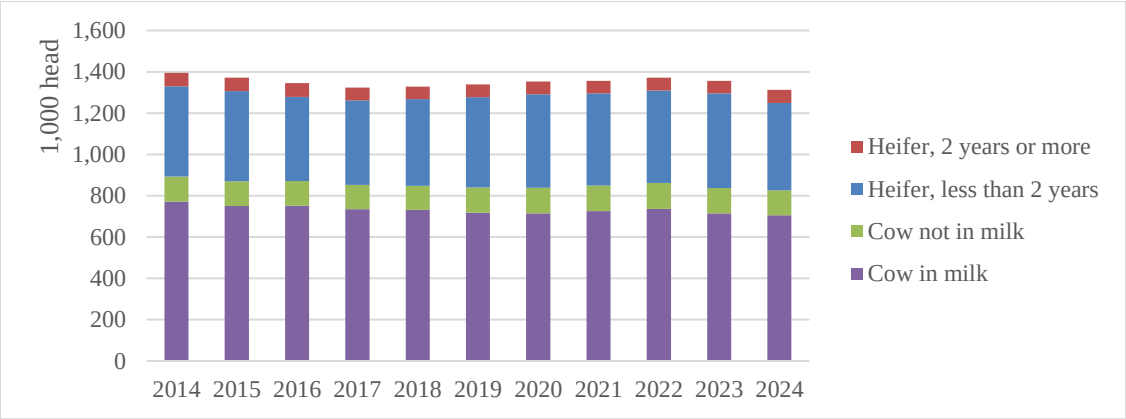
Table 1: Fluid Milk Production, Supply and Distribution

Dairy, Milk, Fluid	**2023**		**2024**		**2025**	
Market Year Begins	**Jan 2023**		**Jan 2024**		**Jan 2025**	
Japan	**USDA Official**	**New Post**	**USDA Official**	**New Post**	**USDA Official**	**New Post**
Cows In Milk (1,000 HEAD)	715	715	710	705	0	700
Cows Milk Production (1,000 MT)	7,250	7,299	7,200	7,335	0	7,275
Other Milk Production (1,000 MT)	0	0	0	0	0	0
Total Production (1,000 MT)	7,250	7,299	7,200	7,335	0	7,275
Other Imports (1,000 MT)	0	0	0	0	0	0
Total Imports (1,000 MT)	0	0	0	0	0	0
Total Supply (1,000 MT)	7,250	7,299	7,200	7,335	0	7,275
Other Exports (1,000 MT)	7	7	7	7	0	7
Total Exports (1,000 MT)	7	7	7	7	0	7
Fluid Use Dom. Consumption (1,000 MT)	3,850	3,850	3,730	3,820	0	3,765
Factory Use Consumption (1,000 MT)	3,361	3,402	3,435	3,460	0	3,475
Feed Use Dom. Consumption (1,000 MT)	32	40	28	48	0	28
Total Dom. Consumption (1,000 MT)	7,243	7,292	7,193	7,328	0	7,268
Total Distribution (1,000 MT)	7,250	7,299	7,200	7,335	0	7,275
(1,000 HEAD), (1,000 Metric Ton [MT])						
OFFICIAL DATA CAN BE ACCESSED AT: PSD Online Advanced Query						

FAS/Tokyo projects Japan's fluid milk production will decline in 2025 after experiencing growth in 2024. Large production areas have concluded adjustments to their output due to persistently weak milk demand since the COVID-19 pandemic (see JA2023-0119 for details) and have resumed expanding their herds. From January to August 2024, fluid milk production in Hokkaido—which produces some 57% of the nation's fluid milk—rose by two percent (see Supplemental Table 2). However, dairy calf births dropped in 2022 and, since those cows will begin milking in 2025, the number of dairy cows in production in 2025 will be down from 2024.

According to Livestock Statistics, a publication of the Ministry of Agriculture, Forestry and Fisheries (MAFF), the number of cows in milk as of February 1, 2024, was lower compared to the previous year. In contrast, the population of heifers aged two years or older had increased in recent years as farmers responded to market conditions (see Figure 1). This larger and older heifer population entered the milking herd in 2024.

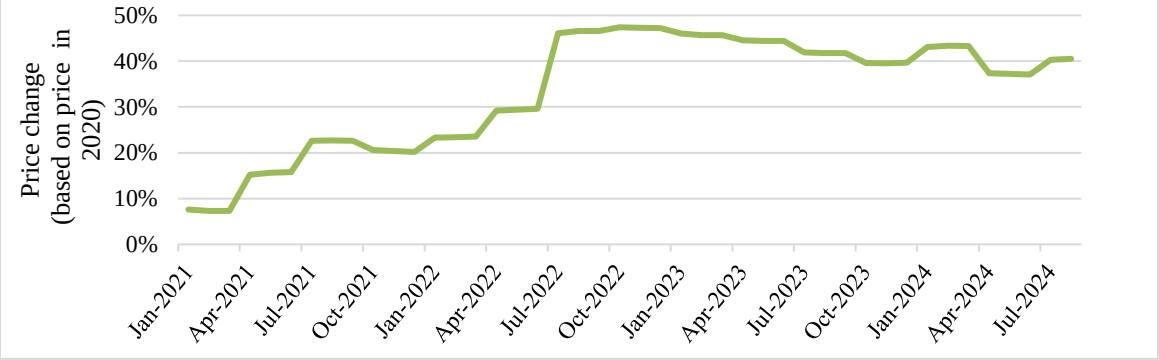
Figure 1: Japan's Dairy Cow Population (As February 1)



Source: MAFF

In recent years, dairy farm managers have battled high production costs. Prices of compound feeds using imported grains reached historic highs in 2022 and have remained around 40% higher than 2020 levels (see Figure 2). To mitigate these costs, MAFF is supporting dairy farmers who produce their own feedstocks to replace imports.

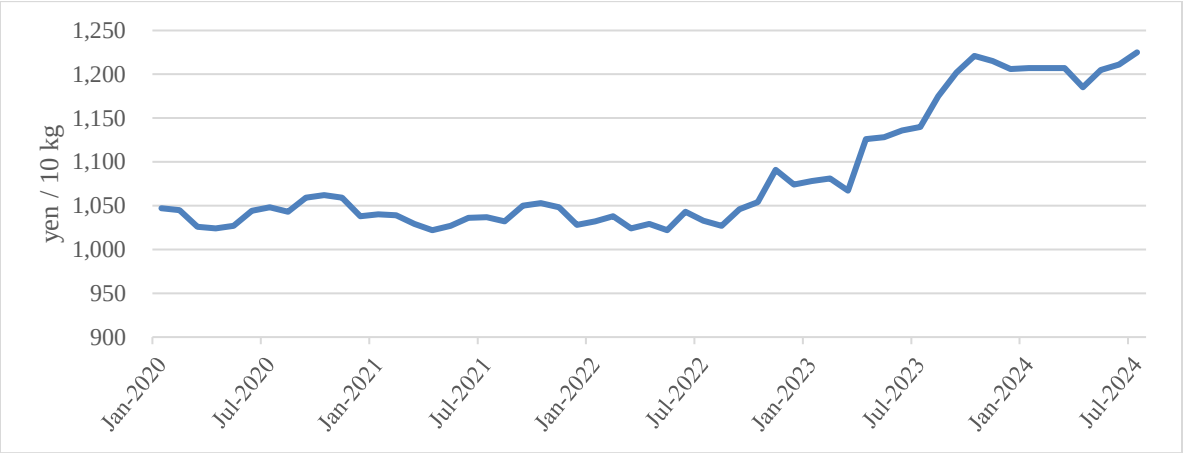
Figure 2: Retail Price Index of Compound Feed for Dairy Cow



Source: MAFF

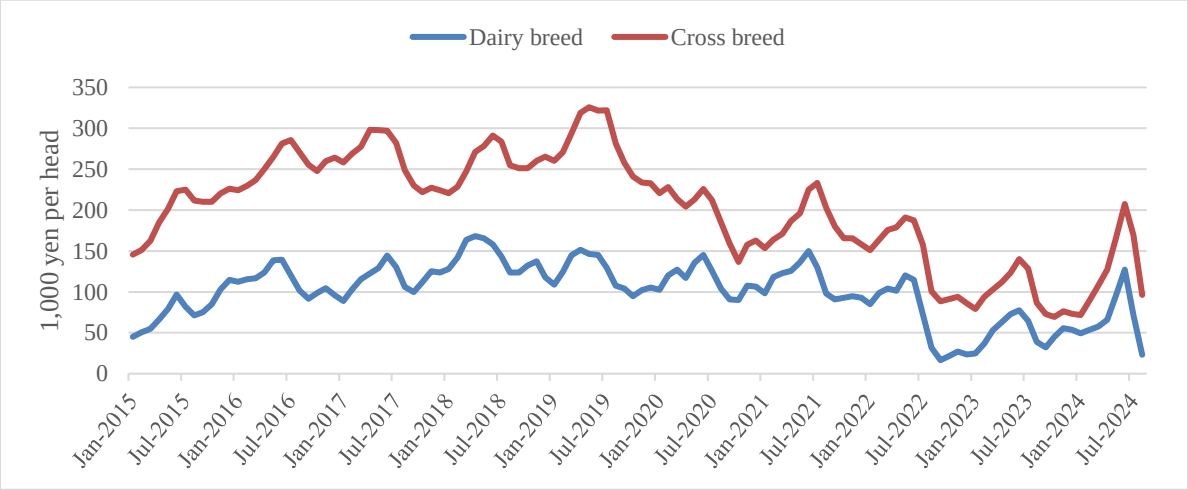
Milk prices, which are determined annually through negotiations between producers and processors, are increasing in response to high production costs in 2023 and 2024 (see Figure 3). However, income from calf sales remains low following a crash in 2022 (see Figure 4). Weakened demand for beef has softened demands of beef calves in the market for cattle fattening operations (see JA2024-0039 for details). Cross breed calves, which are at a much lower price point than black hair wagyu, saw a slight recovery after hitting a decade-low price of 69,000 yen ($460, with $1 = 150 yen) per head in October 2023. Meanwhile, dairy breed calf prices have also declined and have yet to recover, further offsetting the increase in revenue from the hike in milk prices.

Figure 3: Pooled Milk Price (national average)



Note: Price includes payments in the Milk for Further Processing Supplemental Payment Program.
Source: MAFF

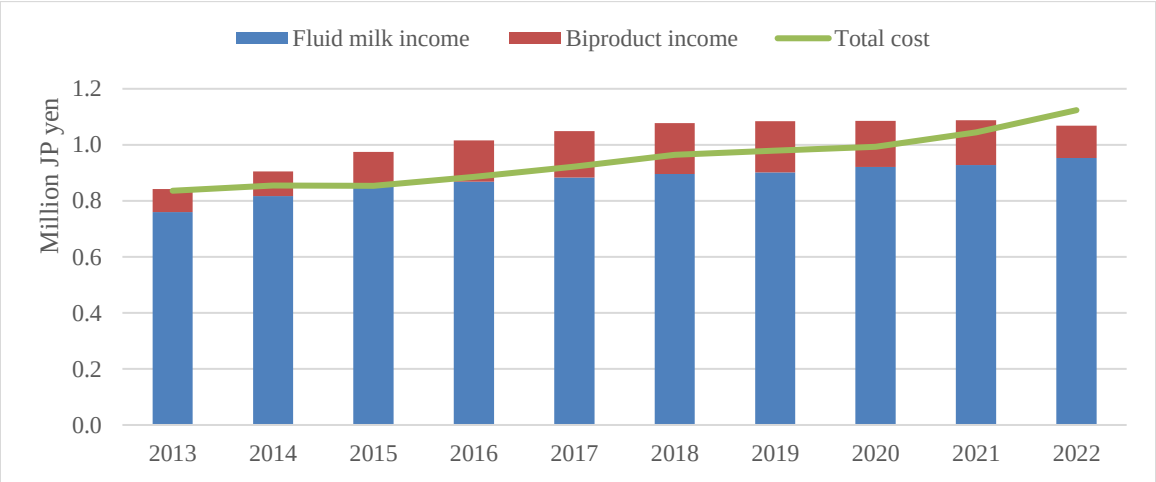
Figure 4: Calf Market Price (selected breeds, less than 2 months)



Source: ALIC

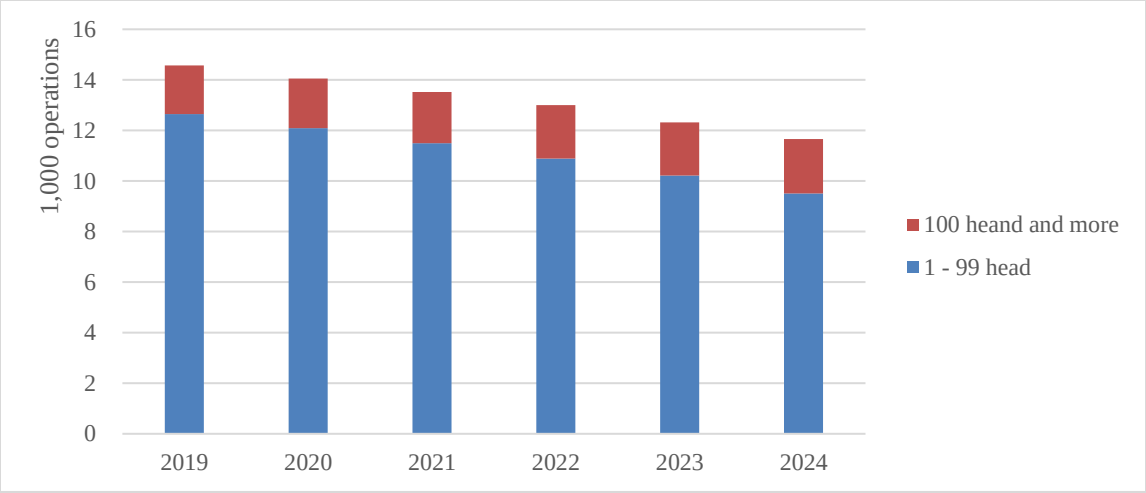
According to the latest statistics, production costs surpassed total income in 2022 due to low calf and milk prices (see Figure 5). Although milk prices have increased since 2022, that positive has been partly offset by low calf prices, so farm businesses, especially smaller ones, continue to struggle. As of February 1, 2024, the number of dairy farms with fewer than 100 cows dropped seven percent year on year (see Figure 6).

Figure 5: Average Production Cost and Profit per Dairy Cow



Source: MAFF and Japan Milk Association (J milk)

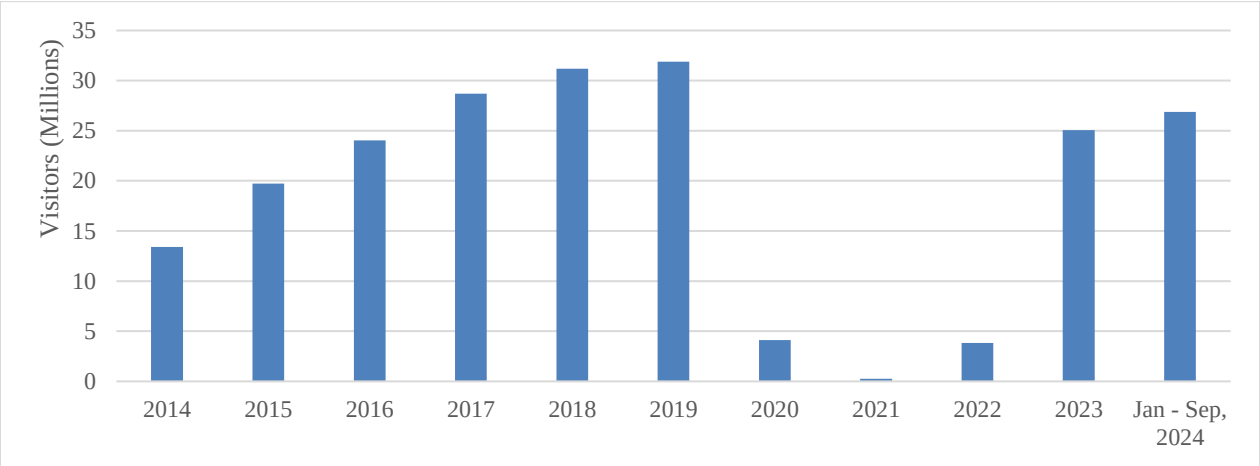
Figure 6: Dairy Farm in Japan



Source: MAFF

Based on consumption trends affected by inflation, FAS/Tokyo projects that fluid milk designated for drinking will decline in 2024 and 2025. According to Household Statistics published by the Ministry of Internal Affairs and Communications (MIAC), retail sales of drinking milk in 2023 rose by five percent in value, but volume dropped by four percent (see Supplemental Table 1). This trend continued in 2024, with sales in the first eight months up six percent in value but down one percent in volume. Some of this decline offsets increasing demand from the hotel, restaurant, and institutional (HRI) sectors. Notably, the number of overseas visitors from January to September 2024 surpassed the total for all of 2023 (see Figure 7).

Figure 7: Foreign Visitors to Japan



Source: Japan National Tourism Organization

Butter

Table 2: Butter Production, Supply and Distribution

Dairy, Butter	**2023**		**2024**		**2025**	
Market Year Begins	**Jan 2023**		**Jan 2024**		**Jan 2025**	
Japan	**USDA Official**	**New Post**	**USDA Official**	**New Post**	**USDA Official**	**New Post**
Beginning Stocks (1,000 MT)	37	31	29	20	0	16
Production (1,000 MT)	70	67	73	70	0	71
Other Imports (1,000 MT)	16	16	18	20	0	23
Total Imports (1,000 MT)	16	16	18	20	0	23
Total Supply (1,000 MT)	123	114	120	110	0	110
Other Exports (1,000 MT)	0	0	0	0	0	0
Total Exports (1,000 MT)	0	0	0	0	0	0
Domestic Consumption (1,000 MT)	94	94	94	94	0	94
Total Use (1,000 MT)	94	94	94	94	0	94
Ending Stocks (1,000 MT)	29	20	26	16	0	16
Total Distribution (1,000 MT)	123	114	120	110	0	110
(1,000 MT)						
OFFICIAL DATA CAN BE ACCESSED AT: PSD Online Advanced Query						

FAS/Tokyo projects that Japan's butter production will continue to increase in 2025, as surplus fluid milk from the weak demand for drinking milk will be diverted toward butter production (see Table 2). Already in the first eight months of 2024, Japan's butter production rose by four percent. Nevertheless, FAS/Tokyo expects butter imports will continue to increase year on year in 2025 to bridge the gap between supply and demand, even though import costs remain high due to the weak yen.

Meanwhile, a flood of tourism is stimulating butter demand in confectionery production and the HRI sectors as visitors load up on newfound treats. A dip in cow milk production in 2023 occurred during the summer heat wave, which forced dairy processors to restrict marketing volumes in the first half of 2024, but those restrictions eased once weather cooled, and cow milk production recovered.

Retail sales remain flat year on year, with household butter purchases declining by just one percent in volume over the first eight months, despite an 11 percent increase in price year on year (see Supplemental Table 1).

Japan's butter imports in the first eight months of 2024 rose year on year due to strong demand from the food service industry (see Table 3). Supply constraints have made it challenging for some food service manufacturers to secure enough butter in a timely manner. To address this issue, MAFF increased the annual butter quota in June by 4,000 MT above the original volume of 10,000 MT announced in January 2024 (see JA2024-0032 for details).

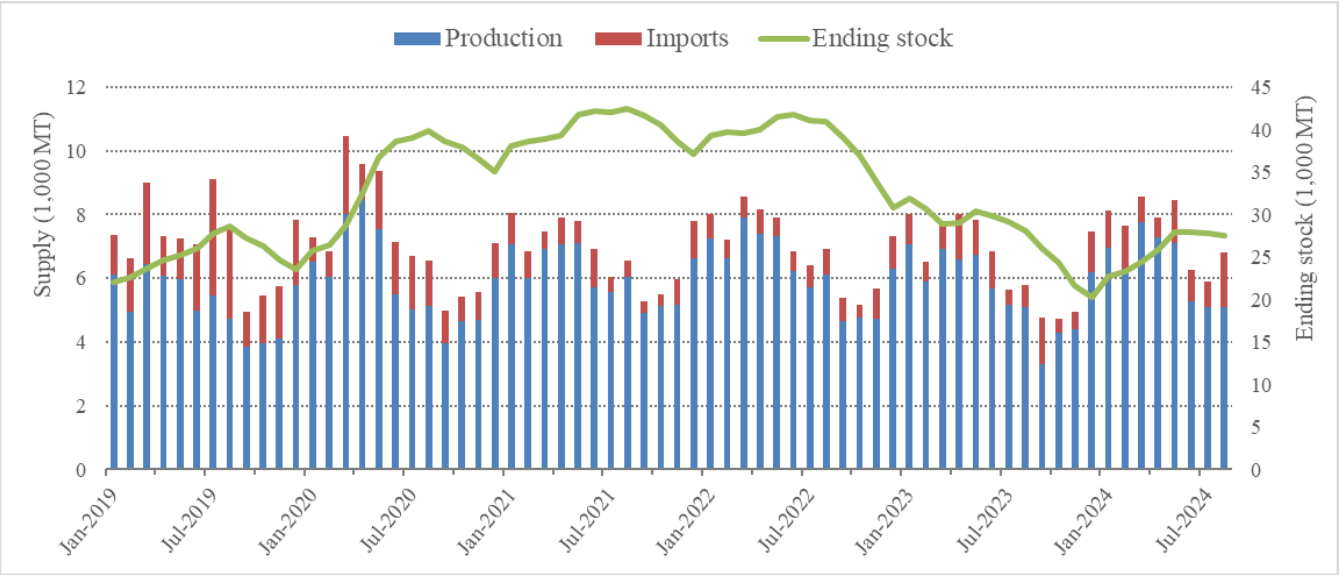
Butter ending stocks have dropped to pre-COVID-19 levels (see Figure 8), and FAS/Tokyo projects that they will remain lower since importers are likely to purchase only as needed due to high import costs.

Table 3: Japan's Butter Imports Unit: MT

	Year			January-August		
	2022	2023	Change	2023	2024	Change
Total	***10,035***	***15,518***	***55%***	***10,362***	***11,738***	***13%***
Comprehensive and Progressive Agreement for Trans-Pacific (CPTPP)	6,602	10,759	***63%***	7,031	8,490	21%
New Zealand	6,431	10,754	***67%***	7,026	8,386	19%
European Union (EU)	3,228	4,345	***35%***	3,025	3,017	0%
France	2,101	2,333	***11%***	1,664	1,610	-3%
Netherlands	409	1,183	***189%***	830	918	11%
Belgium	316	448	***42%***	298	269	-10%
Germany	345	227	***-34%***	225	212	-6%

Source: Trade Data Monitor (TDM)

Figure 8: Japan's Butter Supply and Ending Stock (monthly)



Source: ALIC

Cheese

Table 4: Cheese Production, Supply and Distribution

Dairy, Cheese	**2023**		**2024**		**2025**	
Market Year Begins	**Jan 2023**		**Jan 2024**		**Jan 2025**	
Japan	**USDA Official**	**New Post**	**USDA Official**	**New Post**	**USDA Official**	**New Post**
Beginning Stocks (1,000 MT)	10	10	9	7	0	11
Production (1,000 MT)	47	45	50	45	0	45
Other Imports (1,000 MT)	252	252	255	260	0	260
Total Imports (1,000 MT)	252	252	255	260	0	260
Total Supply (1,000 MT)	309	307	314	312	0	316
Other Exports (1,000 MT)	1	1	1	1	0	1
Total Exports (1,000 MT)	1	1	1	1	0	1
Human Dom. Consumption (1,000 MT)	299	299	305	300	0	305
Other Use, Losses (1,000 MT)	0	0	0	0	0	0
Total Dom. Consumption (1,000 MT)	299	299	305	300	0	305
Total Use (1,000 MT)	300	300	306	301	0	306
Ending Stocks (1,000 MT)	9	7	8	11	0	10
Total Distribution (1,000 MT)	309	307	314	312	0	316
(1,000 MT)						
OFFICIAL DATA CAN BE ACCESSED AT: PSD Online Advanced Query						

FAS/Tokyo projects that Japan's cheese production will remain flat from 2024 to 2025. Cheese consumption is not strong enough to drive production increases, so producers are maintaining their current volumes. Imports in 2025 are also expected to be flat year on year due to high import costs resulting from the weak yen.

In 2023, cheese production decreased alongside a decline in fluid milk production. In 2024, cheese production is likely to be flat year on year, even as fluid milk production shows a slight upward trend. As mentioned in previous sections, excess fluid milk is being diverted to butter production to meet strong demand in confectionary. In 2025, a decline in milk production will limit excess supply and maintain balanced supply and demand of cheese.

Cheese consumption is flat in the retail sector, where the stunting impact of inflation has hit hardest. According to MIAC, household cheese consumption in 2023 declined by nine percent in volume although it increased by six percent in value. In the first eight months of 2024, volume was up just one percent (value was up five percent). This inflation has been driven by higher prices for fluid milk intended for cheese production, as well as elevated import prices for cheese due to the weak yen.

Cheese consumption in the food service sector remains strong. According to the Pizza Association of Japan, the pizza market surged with all the business done by delivery pizza restaurants during COVID-19. The market has maintained its size in Japanese fiscal year (JFY, April 1 – March 31) 2023, reaching 324 billion yen (approximately $2.1 billion).

Japan's imports of cheese in the first eight months of 2024 rebounded after a significant decline in 2023 (see Table 5). In 2023, consumer demand softened as prices rose, which forced manufacturers to reduce processing of imported cheese. Although consumption has not fully recovered, manufacturers are increasing production to maintain their facilities and stimulate the market.

Table 5: Japan's Cheese Imports Unit: MT

	Year			January-August		
	2022	2023	Change	2023	2024	Change
Total	***274,108***	***251,913***	***-8%***	***168,232***	***176,454***	***5%***
CPTPP	119,262	112,685	***-6%***	78,299	84,103	***7%***
Australia	58,950	51,379	***-13%***	36,408	45,092	***24%***
New Zealand	60,038	61,084	***2%***	41,747	38,730	***-7%***
EU	109,689	96,479	***-12%***	61,434	62,327	***1%***
Netherlands	28,612	27,636	***-3%***	17,471	17,260	***-1%***
United States (US)	41,774	40,335	***-3%***	26,535	29,188	***10%***

Source: TDM

Non-Fat Dry Milk (NFDM)

Table 6: NFDM Production, Supply and Distribution

Dairy, Milk, Nonfat Dry	2023		2024		2025	
Market Year Begins	Jan 2023		Jan 2024		Jan 2025	
Japan	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks (,1000 MT)	93	82	85	50	0	52
Production (1,000 MT)	150	144	158	153	0	155
Other Imports (1,000 MT)	8	8	15	15	0	15
Total Imports (1,000 MT)	8	8	15	15	0	15
Total Supply (1,000 MT)	251	234	258	218	0	222
Other Exports (1,000 MT)	6	6	1	1	0	1
Total Exports (1,000 MT)	6	6	1	1	0	1
Human Dom. Consumption (1,000 MT)	150	155	155	155	0	160
Other Use, Losses (1,000 MT)	10	23	10	10	0	10
Total Dom. Consumption (1,000 MT)	160	178	165	165	0	170
Total Use (1,000 MT)	166	184	166	166	0	171
Ending Stocks (1,000 MT)	85	50	92	52	0	51
Total Distribution (1,000 MT)	251	234	258	218	0	222
(1,000 MT)						
OFFICIAL DATA CAN BE ACCESSED AT: PSD Online Advanced Query						

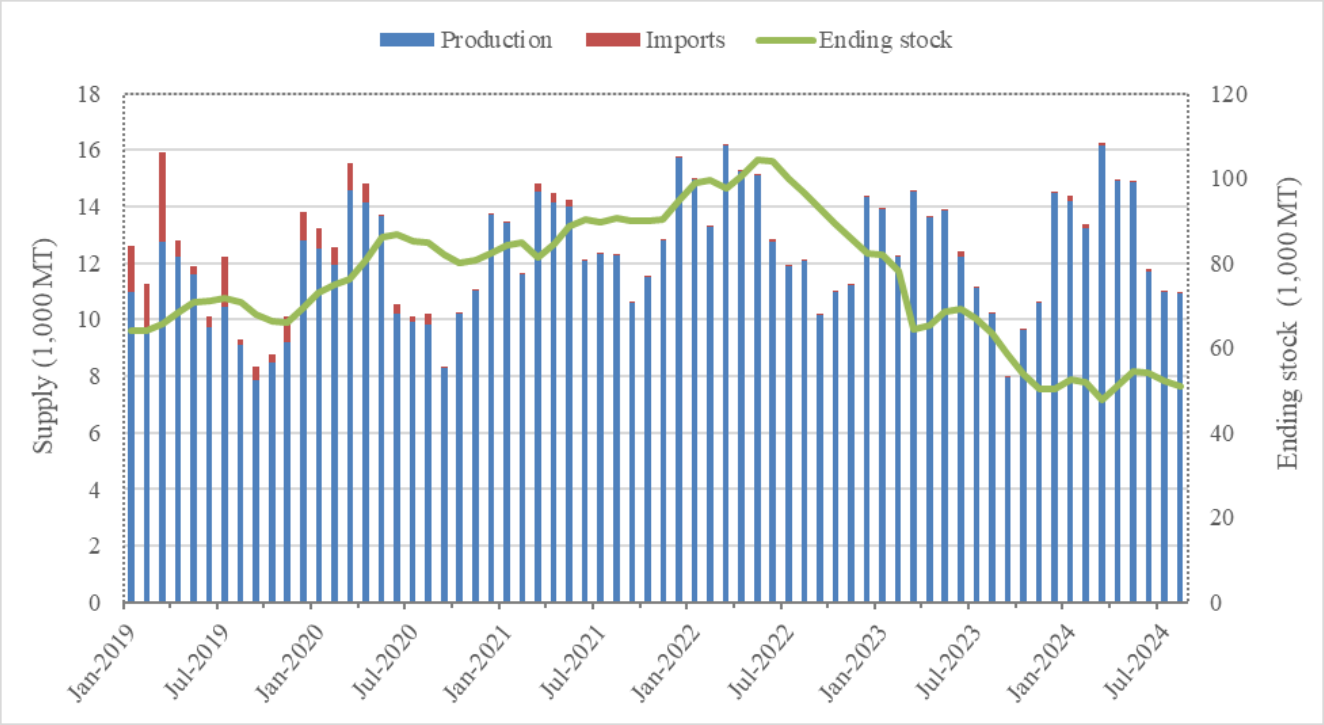
Consistent with the rise in butter production, FAS/Tokyo projects that Japan’s production of non-fat dry milk (NFDM), a typical byproduct of butter production, will increase in 2025. In the first eight months of 2024, NFDM production was higher year on year. NFDM imports in 2025 are expected to remain flat after an increase in 2024.

Japan's NFDM ending stocks reached historic highs in 2022 due to excess milk production during the COVID-19 pandemic (see Figure 9). The dairy industry implemented programs supported by payments to replace imported NFDM with domestic products or to repurpose it for animal feed. Additionally, MAFF maintained a minimum tariff quota of 750 MT (see JA2024-0031 for details). As a result, ending stocks returned to pre-COVID-19 levels. Industry sources suggest that stocks would have increased without these countermeasures.

Consumption of NFDM has been stimulated by the growing ice cream market and increased demand for certain dairy products, such as yogurt. The ice cream market has expanded in recent years, with sales rising even in winter. Additionally, the influx of foreign visitors has contributed to the increase in ice cream sales.

Japan's imports of NFDM increased in the first eight months of 2024 (see Table 7), driven by a greater volume being used for animal feed. Imported NFDM remains competitive with domestic products in terms of price.

Figure 9: Japan's NFDM Supply and Ending Stock (monthly)



Source: ALIC

Table 7: Japan's NFDM Imports Unit: MT

	Year			January-August		
	2022	2023	Change	2023	2024	Change
Total	***20,308***	***8,074***	***-60%***	***5,215***	***12,921***	***148%***
CPTPP	13,578	6,818	-50%	4,017	9,610	139%
New Zealand	9,737	4,944	-49%	2,911	6,739	132%
Australia	3,840	1,875	-51%	1,107	2,871	159%
EU	2,827	493	-83%	449	100	-78%
US	3,269	751	-77%	740	3,204	333%

Source: TDM

Supplemental Tables

Supplemental Table 1: Japanese Household Consumption of Milk and Dairy Products (two or more person household)

1-a) Household consumption in value Unit: JP yen

	Bread	Milk	Powdered Milk	Yogurt	Butter	Cheese
2019	32,164	15,174	795	13,157	1,123	6,044
2020	31,456	15,895	626	14,000	1,399	6,788
2021	31,353	14,959	707	13,815	1,362	6,728
2022	32,497	15,001	729	13,377	1,240	6,544
2023	33,874	15,726	844	13,582	1,266	6,964
% Chg.	4%	5%	16%	2%	2%	6%
Jan/Jul, 2023	19,627	8,746	485	7,755	722	3,917
Jan/Jul, 2024	20,385	9,253	481	8,108	801	4,113
% Chg.	4%	6%	-1%	5%	11%	5%

Source: Ministry of Internal Affairs and Communications (MIAC, Statistics Bureau)

(cont.) Unit: JP yen

	Confectionary	Coffee Beverage	Lactic Acid Bacterial Drinks	Milk Beverage	Margarine	Ice Cream and Sherbet*
2019	87,469	5,001	3,992	2,363	672	9,701
2020	85,534	4,798	4,208	2,423	678	10,113
2021	88,195	4,923	4,410	2,576	627	10,148
2022	94,373	4,946	5,153	2,522	627	10,847
2023	99,520	5,264	5,899	2,785	636	11,580
% Chg.	5%	6%	14%	10%	1%	7%
Jan/Jul, 2023	56,079	2,988	3,341	1,571	366	6,406
Jan/Jul, 2024	59,392	3,203	3,423	1,588	377	6,907
% Chg.	6%	7%	2%	1%	3%	8%

*Ice Cream and Sherbet are also included in Confectionary Data.
Source: MIAC

1-b) Household consumption in volume

	Milk (1 liter)	Powdered Milk (1 gram)	Cheese (1 gram)	Butter (1 gram)	Margarine (1 gram)	Bread (1 gram)
2019	76	330	3,548	532	892	46,011
2020	78	N/A	4,051	650	911	45,857
2021	74	N/A	4,074	639	847	44,345
2022	73	N/A	3,799	597	765	43,571
2023	70	N/A	3,440	568	709	42,680
% Chg.	-4%	N/A	-9%	-5%	-7%	-2%
Jan/Jul, 2023	40	N/A	1,986	334	420	25,076
Jan/Jul, 2024	39	N/A	2,015	331	432	25,400
% Chg.	-1%	N/A	1%	-1%	3%	1%

Source: MIAC

Supplemental Table 2: Japanese Fluid Milk Production Unit: 1,000 MT

	2020	2021	2022	2023	% Chg.	2023	2024	% Chg.
	Jan/Dec	Jan/Dec	Jan/Dec	Jan/Dec	2023/2022	Jan/Aug	Jan/Aug	
National Fluid Milk Production	7,438	7,592	7,617	7,299	-4%	4,938	4,966	1%
Hokkaido	4,154	4,266	4,309	4,147	-4%	2,795	2,837	2%
Other Prefectures	3,285	3,326	3,308	3,152	-5%	2,143	2,129	-1%
Hokkaido Share	56%	56%	57%	57%	N/A	57%	57%	N/A
Other Prefectures Share	44%	44%	43%	43%	N/A	43%	43%	N/A
Fluid Milk Utilizations	Jan/Dec	Jan/Dec	Jan/Dec	Jan/Dec	2023/2022	Jan/Aug	Jan/Aug	% Chg.
For Drinking	4,020	4,001	3,977	3,850	-3%	2,557	2,530	-1%
For Processing	3,374	3,543	3,594	3,402	-5%	2,350	2,404	2%
Others	45	48	47	46	-1%	31	33	5%

Source: MAFF

Supplemental Table 3: Japanese Utilization of Fluid Milk for Drinking Use Category

Unit: 1,000 Kilo Liter

	2020	2021	2022	2023	% Chg.	2023	2024	%
	Jan/Dec	Jan/Dec	Jan/Dec	Jan/Dec	2023/2022	Jan/Aug	Jan/Aug	Chg.
Total Drinking Milk Products	3,574	3,576	3,564	3,468	-3%	2,295	2,268	-1%
Regular Milk	3,180	3,194	3,178	3,087	-3%	2,042	2,027	-1%
Processed Milk	394	382	386	382	-1%	253	241	-5%
Milk Beverages	1,108	1,059	1,077	1,069	-1%	715	687	-4%
Fermented Milk	1,060	1,034	1,063	996	-6%	674	681	1%
Lactic Acid Bacteria Drinks	117	113	106	97	-8%	68	71	4%

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: MAFF

Attachments:

No Attachments