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Japan's Emergency Butter Imports

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Report Highlights:

On May 21, 2014, the Ministry of Agriculture, Forestry and Fisheries (MAFF) announced its intent to carry out the emergency importation of 7,000 metric tons (MT) of butter for industrial use. This quantity is in addition to the 3,000 MT, which Japan has already committed to importing in Japanese Fiscal Year (JFY) 2014 under its current access commitment for key dairy commodity imports.^[1] Separately, MAFF also announced an increased allocation of an additional 4,178 MT of non-fat dry milk (NFDm) imports under its JFY 2014 current access commitments.

[1] The Japanese fiscal year runs from April 1 through March 31 of the following year.

General Information:

MAFF’s announcements of increased butter and NFDM commitments come in response to an impending supply crunch, resulting from declining fluid milk production and growing demand for processed dairy products other than butter and NFDM. U.S. exporters could realize additional export volumes to Japan in 2014 if they can compete on price with other Oceania and EU exporters.

Since the summer of 2013, monthly fluid milk production in Hokkaido (the heart of Japanese dairy production, accounting for over 50 percent of total annual fluid milk production) has consistently been two to four percent lower than the previous year (see Table 1). Fluid milk production has been hampered by inclement weather (an extremely hot summer and a severely cold, snowy winter), a shortage of locally grown fodder, and a steady stream of Japanese dairy farmers exiting the industry.

This decline in fluid milk production has in turn suppressed monthly butter and NFDM production levels, both of which are down 10 – 20 percent from the previous year (see Table 3). This drove March ending stocks down to levels of roughly 17,000 MT for butter and 40,000 MT for NFDM (approximately 2.5 months and 4 months of total consumption respectively; see Table 4). In contrast, since early calendar year 2014, Japanese utilization of fluid milk for the production of domestically produced cream and natural cheese has been climbing to catch up with relatively solid bakery and confectionary demand for fresh cream for desserts and domestic natural cheeses for direct consumption (see Tables 2, 3 and 5). Increased production of cream and natural cheese has limited the availability of fluid milk for the production of butter and NFDM in Hokkaido. Industry sources report that this tight supply situation has persisted through April and May (for which official data are not yet available).

Given the factors suppressing Hokkaido dairy production noted above, Post does not anticipate recovery of fluid milk production until the autumn of 2014 at the earliest. Earlier this calendar year, in response to an already tight supply situation, Japan announced its intent to import 3,000 MT of butter and 5,000 of NFDM under its JFY 2014 current access commitments.

MAFF’s May 21 announcement brings Japan’s JFY 2014 total scheduled imports of butter for industrial use to **10,000 MT** (current access and emergency imports combined) and total scheduled imports of NFDM (under current access) to **9,178 MT**. While MAFF’s market interventions may not completely negate anticipated domestic production shortfalls of butter and NFDM in JFY 2014, these moves should narrow the demand gap and effectively suppress already high domestic prices.

Note: As a result of Uruguay Round trade negotiations, Japan agreed to provide import access at duty rates lower than commercial import levels for 137,000 MT (milk equivalent volume) of key designated dairy commodities for each fiscal year. Japan has historically allocated access to butter and NFDM, especially when domestic supplies for each product have been short. Other commodities covered under current access commitments include whey, dairy spread, and butter oil. Current access commitments do not prevent Japan from making additional imports of key dairy commodities under emergency measures.

Table 1: Japanese Fluid Milk Production

Japanese Fiscal Year (April - March)	Fluid Milk Production					
	Hokkaido		Other Milk Producing Prefectures		Nation's Total	
	MT	% Chg.	MT	% Chg.	MT	% Chg.
JFY 2009	3,932,201	100.6	3,949,189	97.8	7,881,390	99.2
JFY 2010	3,897,287	99.1	3,734,017	94.6	7,631,304	96.8
JFY 2011	3,894,019	99.9	3,639,832	97.5	7,533,851	98.7
JFY 2012	3,930,552	100.9	3,676,804	101.0	7,607,356	101.0
JFY 2013	3,848,584	97.9	3,598,448	97.9	7,447,032	97.9
JFY 2013 Apr.	328,639	101.0	321,583	99.3	650,222	100.1
May	342,859	101.0	328,238	98.9	671,097	100.0
Jun.	332,888	100.5	305,319	98.3	638,207	99.4
Jul.	332,726	98.5	299,377	97.7	632,103	98.1
Aug.	321,189	96.3	286,388	96.7	607,577	96.5
Sep.	310,762	97.7	282,358	98.8	593,120	98.2
Oct.	316,327	96.2	292,169	97.7	608,496	97.0
Nov.	303,263	96.7	284,503	97.8	587,766	97.2
Dec.	318,931	97.3	297,625	97.9	616,556	97.6
Jan.	322,132	96.9	304,214	97.6	626,346	97.3
Feb.	293,309	95.9	279,192	96.7	572,501	96.3
Mar.	325,559	96.6	317,482	96.9	643,041	96.8

Source: MAFF, Milk and Dairy Products Statistics

Note: JFY 2013 monthly percent change data reflect the production in that month in JFY 2013 relative to the production in that month in JFY 2012. So JFY 2013 Apr. % Chg. = 101.0 = 328,639/325,385

Table 2: Japanese Fluid Milk Utilization

Japanese Fiscal Year (April - March)	Utilization									
	For Drinking Use		For Processing Use						Others (for animal feed and etc.)	
			Processing Use Total		For Cheese		For Cream			
	MT	% Chg.	MT	% Chg.	MT	% Chg.	MT	% Chg.	MT	% Chg.
JFY 2009	4,218,563	95.6	3,586,821	103.9	465,357	98.3	1,088,909	98.5	76,006	95.5
JFY 2010	4,109,761	97.4	3,451,217	96.2	497,614	106.9	1,164,289	106.9	70,326	92.5
JFY 2011	4,082,898	99.3	3,387,330	98.1	496,106	99.7	1,249,606	107.3	63,623	90.5
JFY 2012	4,010,692	98.2	3,538,102	104.5	484,989	97.8	1,276,141	102.1	58,562	92.0
JFY 2013	3,964,615	98.9	3,425,512	96.8	501,691	103.4	1,298,070	101.7	56,905	97.2
JFY 2013 Apr.	324,209	98.9	321,246	101.4	43,988	105.0	106,007	100.5	4,767	98.0
May	346,307	98.8	320,073	101.3	46,123	103.2	106,746	99.3	4,717	97.8
Jun.	346,448	98.6	287,033	100.4	41,554	101.8	104,971	98.7	4,726	95.2
Jul.	349,569	100.4	277,756	95.4	41,990	101.0	109,494	98.5	4,778	97.7
Aug.	328,957	99.0	273,978	93.6	39,924	93.6	107,385	100.6	4,642	94.9
Sep.	353,511	97.9	234,854	98.8	36,961	109.6	107,131	101.0	4,755	97.6
Oct.	350,359	98.3	253,213	95.2	40,214	101.4	109,434	98.3	4,924	99.2
Nov.	325,513	99.0	257,466	95.1	37,622	97.3	111,432	102.5	4,787	97.3
Dec.	307,332	98.5	304,525	96.7	36,909	92.0	114,251	106.0	4,699	94.7
Jan.	313,870	97.9	307,918	96.6	46,805	112.1	103,076	107.2	4,558	94.1
Feb.	302,630	100.5	265,027	91.8	42,875	112.9	101,590	106.2	4,844	99.8
Mar.	315,910	98.5	322,423	95.1	46,726	112.9	116,553	102.9	4,708	99.8

Source: MAFF, Milk and Dairy Products Statistics

Note: JFY 2013 monthly percent change data reflect the production in that month in JFY 2013 relative to the production in that month in JFY 2012.

Table 3: Japanese Key Dairy Commodity Production

Japanese Fiscal Year (April - March)	Butter		NFDM		Cream	
	MT	% Chg.	MT	% Chg.	MT	% Chg.
JFY 2009	81,972	114.0	170,179	109.6	103,663	96.4
JFY 2010	70,119	85.5	148,786	87.4	107,984	104.2
JFY 2011	63,071	89.9	134,912	90.7	114,211	105.8
JFY 2012	70,118	111.2	141,431	104.8	112,897	98.8
JFY 2013	64,302	91.7	128,818	91.1	114,730	101.6
Jan.	7,587	109.0	14,542	103.5	8,809	96.8
Feb.	6,264	109.1	12,464	110.4	8,857	98.3
Mar.	7,396	99.8	14,863	108.5	10,267	103.5
JFY 2013 Apr.	7,008	104.1	13,776	103.8	9,296	100.3
May	6,969	107.1	13,075	103.8	9,154	100.1
Jun.	5,699	103.3	10,767	103.8	8,639	100.4
Jul.	5,120	94.4	9,593	91.9	8,942	99.3
Aug.	5,091	90.5	9,410	88.6	8,780	100.5
Sep.	3,552	96.2	7,126	92.5	9,258	104.2
Oct.	3,923	91.0	8,214	88.3	9,766	99.2
Nov.	4,210	87.1	9,037	85.9	10,405	100.4
Dec.	5,484	88.0	13,486	91.4	11,330	102.0
Jan.	6,486	85.5	12,196	83.9	9,308	105.7
Feb.	4,793	76.5	9,471	76.0	9,219	104.1
Mar.	5,967	80.7	12,666	85.2	10,634	103.6

Source: MAFF, Milk and Dairy Products Statistics

Note: JFY 2013 monthly percent change data reflect the production in that month in JFY 2013 relative to the production in that month in JFY 2012.

Table 4: Japanese Private Industry Monthly Ending Stocks of Butter and NFDM

Japanese Fiscal Year (April - March)	NFDM		Butter	
	MT	% Chg.	MT	% Chg.
JFY 2009	69.7	161.7	32.6	116.0
JFY 2010	58.7	84.2	20.6	63.3
JFY 2011	47.6	81.1	19.1	92.6
JFY 2012	49.5	103.9	23.5	123.0
JFY 2013	40.3	81.4	17.3	73.8
JFY 2013 Apr.	52.1	108.2	24.4	125.3
May	53.3	110.5	25.8	119.9
Jun.	53.1	112.6	25.7	119.7
Jul.	50.7	113.0	25.0	116.3
Aug.	48.3	111.9	24.5	105.6
Sep.	44.1	111.1	23.0	102.5
Oct.	40.3	109.8	21.5	100.9
Nov.	38.0	103.8	20.0	98.0
Dec.	40.3	99.9	18.2	95.7
Jan.	42.0	92.7	19.1	87.3
Feb.	41.0	87.8	18.2	82.2
Mar.	40.3	81.4	17.3	73.8

Source: ALIC Monthly Livestock Statistics, Japan Dairy Association Survey (data compiled from 13 major dairy companies)

Note: JFY 2013 monthly percent change data reflect the stocks level in that month in JFY 2013 relative to the stocks level in that month in JFY 2012.

Table 5: Japanese Production of Cheese

	Cheese					
	Total Domestic Cheese Production*		Domestic Natural Cheese for Direct Consumption		Processed Cheese*	
	MT	% Chg.	MT	% Chg.	MT	% Chg.
JFY 2009	122,997	105.2	19,729	97.7	103,268	97.7
JFY 2010	127,029	103.3	19,856	100.6	107,172	100.6
JFY 2011	134,305	105.7	20,680	104.1	113,625	104.1
JFY 2012	132,254	98.5	21,454	103.7	110,800	103.7
JFY 2013	134,368	101.6	22,917	106.8	111,451	106.8
Jan.	9,671	91.7	1,645	93.9	8,026	93.9
Feb.	10,065	92.0	1,857	107.2	8,208	107.2
Mar.	11,080	91.3	1,588	79.1	9,492	79.1
JFY 2013 Apr.	11,560	101.1	1,766	101.5	9,795	101.5
May	10,778	100.9	1,912	111.0	8,866	111.0
Jun.	10,597	98.9	1,941	113.4	8,656	113.4
Jul.	11,137	101.5	2,016	110.0	9,121	110.0
Aug.	10,972	104.1	2,024	111.6	8,949	111.6
Sep.	11,098	104.0	1,830	108.2	9,268	108.2
Oct.	12,338	97.7	1,929	96.5	10,410	96.5
Nov.	12,356	98.5	1,906	97.4	10,450	97.4
Dec.	11,490	102.2	1,945	102.5	9,545	102.5
Jan.	10,369	107.2	1,807	109.9	8,562	109.9
Feb.	10,506	104.4	1,986	106.9	8,520	106.9
Mar.	11,165	100.8	1,856	116.9	9,309	116.9

* Total Domestic Cheese production data are the sum of domestic natural cheeses for direct consumption and domestic production of processed cheese. Processed cheese data is the total production of domestically produced processed cheese for which imported natural cheeses (mostly entering under the zero tariff rate quotas) are used to blend with domestic natural cheese to manufacture Japanese brand processed cheese products in Japan.

Source: MAFF, Milk and Dairy Products Statistics

Note: JFY 2013 monthly percent change data reflect the production in that month in JFY 2013 relative to the production in that month in JFY 2012.