Required Report: Required - Public Distribution **Date:** December 08, 2025

Report Number: JA2025-0066

Report Name: Dairy and Products Annual

Country: Japan

Post: Tokyo

Report Category: Dairy and Products

Prepared By: Aki Imaizumi

Approved By: Jeanne Bailey

Report Highlights:

Japan's dairy herd and raw milk production are expected to remain stable in 2026. Although higher prices are reducing household milk consumption, tourism is supporting food service demand. Surplus milk is boosting butter production and stocks, while butter imports and consumption remain steady. Cheese production will be flat, with continued reliance on imports. Non-fat dried milk (NFDM) output remains high, but domestic demand for food products is softening. However, imports for animal feed are rising because they are more competitively priced than domestic NFDM for feed. The sector faces stable supply, shifting demand, and ongoing inflationary pressure.

General information:

Fluid Milk

Table 1: Fluid Milk Production, Supply and Distribution

Dairy, Milk, Fluid	**2024**		**2025**		**2026**	
Market Year Begins	**Jan 2024**		**Jan 2025**		**Jan 2026**	
Japan	**USDA Official**	**New Post**	**USDA Official**	**New Post**	**USDA Official**	**New Post**
Cows In Milk (1000 HEAD)	705	705	700	697	0	695
Cows Milk Production (1000 MT)	7,357	7,357	7,355	7,400	0	7,380
Other Milk Production (1000 MT)	0	0	0	0	0	0
Total Production (1000 MT)	7,357	7,357	7,355	7,400	0	7,380
Other Imports (1000 MT)	0	0	0	0	0	0
Total Imports (1000 MT)	0	0	0	0	0	0
Total Supply (1000 MT)	7,357	7,357	7,355	7,400	0	7,380
Other Exports (1000 MT)	8	8	8	8	0	8
Total Exports (1000 MT)	8	8	8	8	0	8
Fluid Use Dom. Consumption (1000 MT)	3,820	3,823	3,800	3,785	0	3,790
Factory Use Consumption (1000 MT)	3,481	3,487	3,519	3,575	0	3,552
Feed Use Dom. Consumption (1000 MT)	48	39	28	32	0	30
Total Dom. Consumption (1000 MT)	7,349	7,349	7,347	7,392	0	7,372
Total Distribution (1000 MT)	7,357	7,357	7,355	7,400	0	7,380
(1000 HEAD), (1000 metric ton [MT])						
OFFICIAL DATA CAN BE ACCESSED AT: PSD Online Advanced Query						

Note: Not Official USDA Data

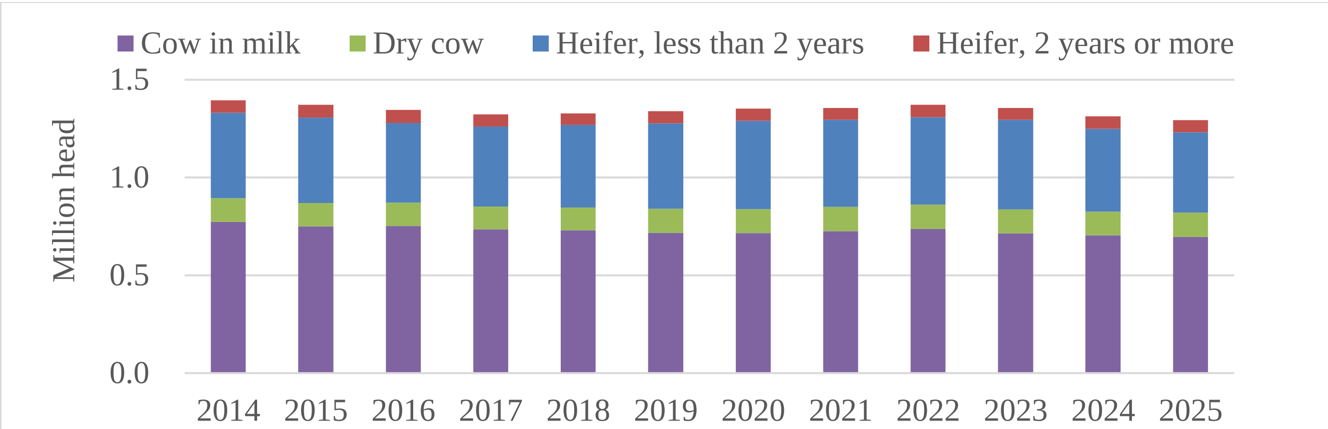
Japan's Milk Production Forecast for 2026

FAS/Tokyo forecasts the size of Japan's 2026 dairy herd will remain largely unchanged from 2025, and the volume of raw milk produced in Japan will also be similar to that of 2025. In Hokkaido, the primary region for raw milk production, milk yield continues to increase due to herd renewal. However, in regions outside Hokkaido, milk yield continues to decline as aging farmers without successors cease operations. As a result, Japan's overall milk yield is expected to remain stable.

Dairy Cattle Numbers and Milk Yield Trends

As of February 1, 2025, the number of dairy cattle in Japan was approximately 1.3 million head, according to the latest statistics from the Ministry of Agriculture, Forestry, and Fisheries (MAFF), representing a two percent decrease from the same period last year (Figure 1). While the number of milking cows decreased by one percent during the same period, the number of dry cows increased by two percent. As these dry cows are expected to give birth and begin milking during 2025, the total milk yield for the year is projected to exceed that of 2024. From January to September 2025, milk yield increased by one percent, compared to the same period last year (Supplemental Table 1).

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



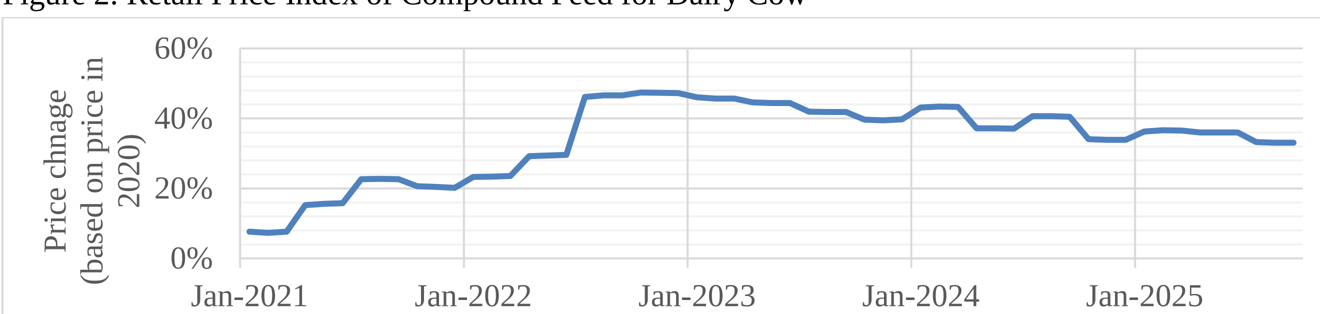
Source: MAFF

Dairy Farm Management Conditions

Regarding the general management conditions (income and operating costs) of Japan's dairy farms, the latest available statistical data indicates that from 2022 to 2023, income from milk prices and by-products (primarily calves) was lower than the production costs, per cow. However, in 2025, while compound feed prices remain high (Figure 2), milk prices and calf prices, as by-products, have started to rise (Figures 3 and 4), suggesting an improvement in the balance between costs and revenue.

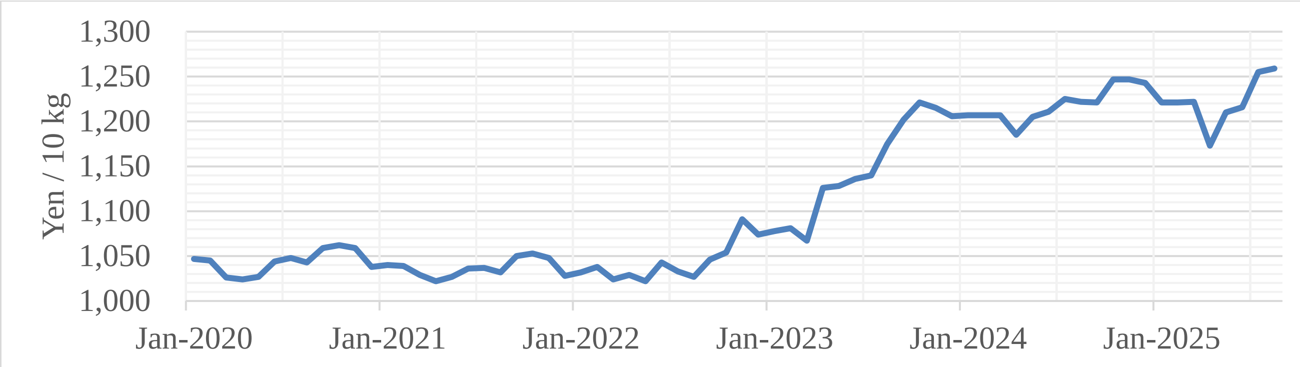
As of February 1, 2025, the number of dairy farms in Japan had decreased by five percent, compared to the same period last year. Farms with fewer than 100 heads of cattle declined by six percent, and those with 100 to 199 head decreased by one percent. In contrast, farms with 200 or more heads increased by two percent. (Figure 6). The average number of cattle, per farm, increased by four percent, to 114 heads. As the number of smaller-scale farms continues to decline, the total number of dairy farms in Japan is expected to decrease further in 2026. Large scale farmers could receive benefit from such an economic scale. One of the biggest challenges is securing sufficient laborers for farms.

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



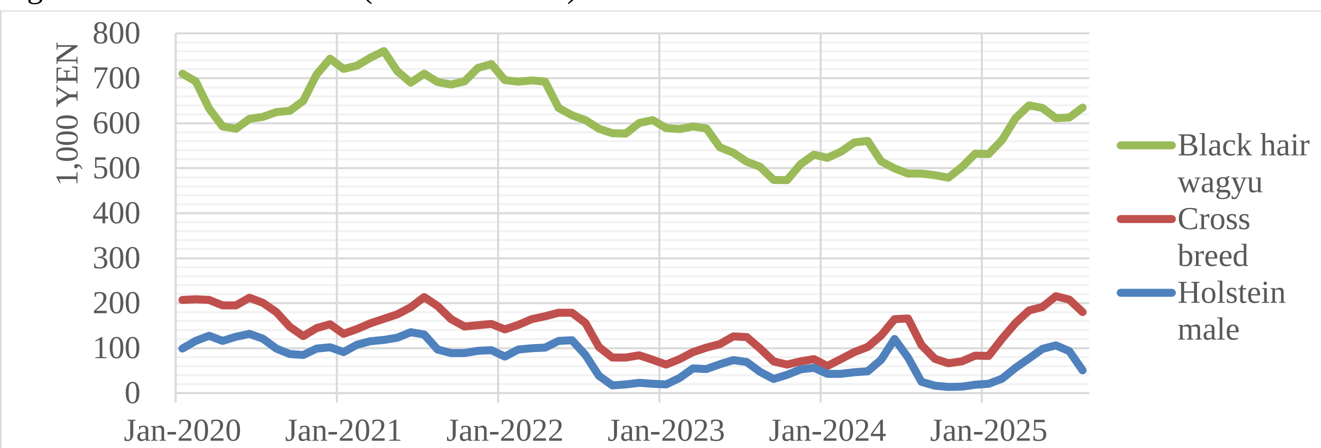
Source: MAFF

Figure 3: Pooled Milk Price (national average)



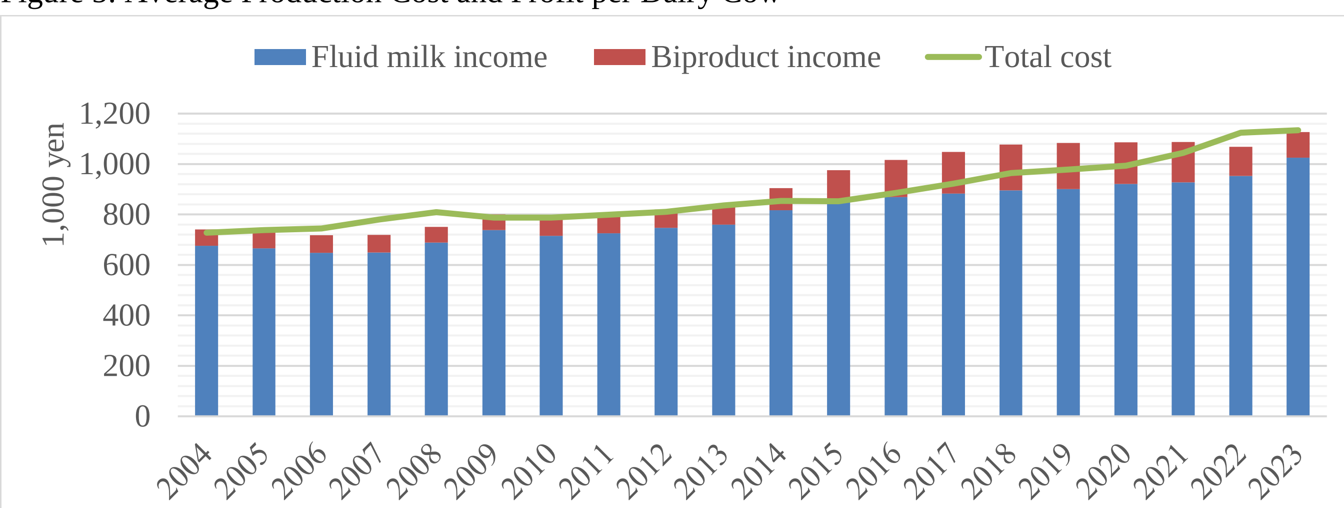
Note: Price includes payments under Japan’s Milk for Further Processing Supplemental Payment Program.
Source: MAFF

Figure 4: Calf Market Price (selected breeds)



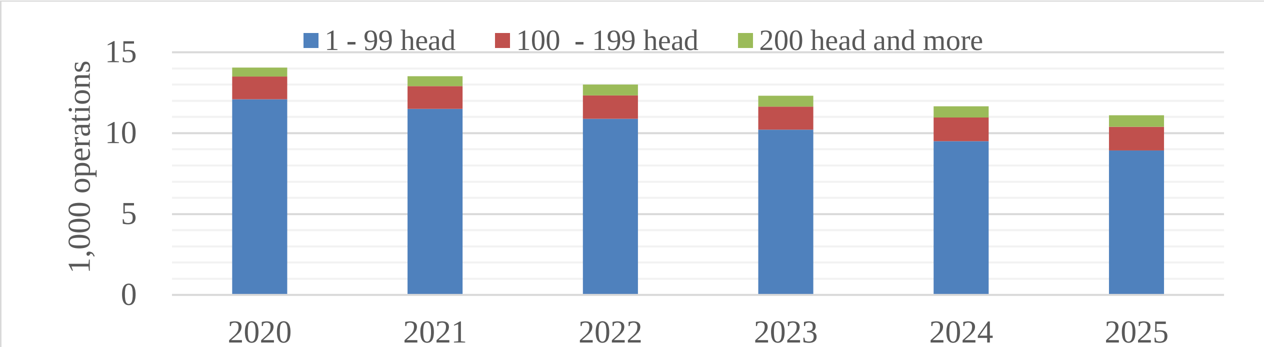
Source: Agriculture and Livestock Industries Corporation (ALIC)

Figure 5: Average Production Cost and Profit per Dairy Cow



Source: MAFF and Japan Milk Association (J-milk)

Figure 6: Dairy Farm in Japan



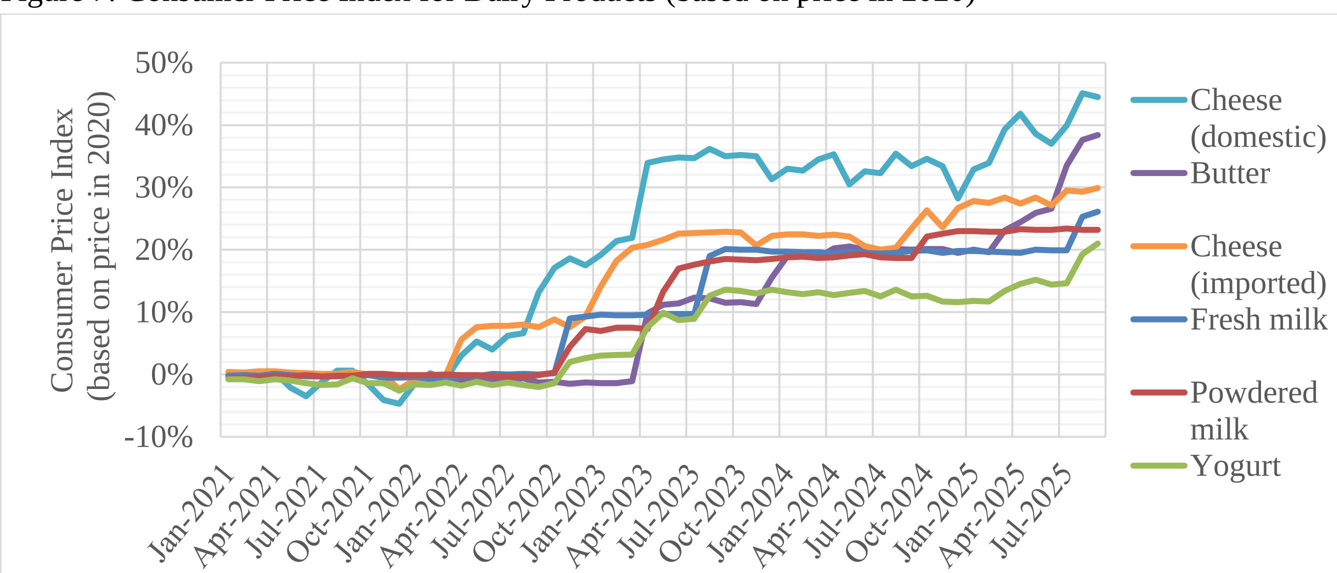
Source: MAFF

Trends in Milk Demand

On the demand side, the increase in domestic raw milk prices and persistently high manufacturing costs in the dairy industry have led to higher retail prices for dairy products, particularly drinking milk, which is consequently experiencing a downward trend in consumption. According to Japan's Statistics Bureau of the Ministry of Internal Affairs and Communications (MIAC), the consumer price index for milk in September 2025 jumped by 26 percent compared to the same period in 2020 (Figure 7). MIAC's household survey correspondingly shows household milk purchases from January to September 2025 decreased by three percent, compared to the same period last year (Supplemental Table 3-b).

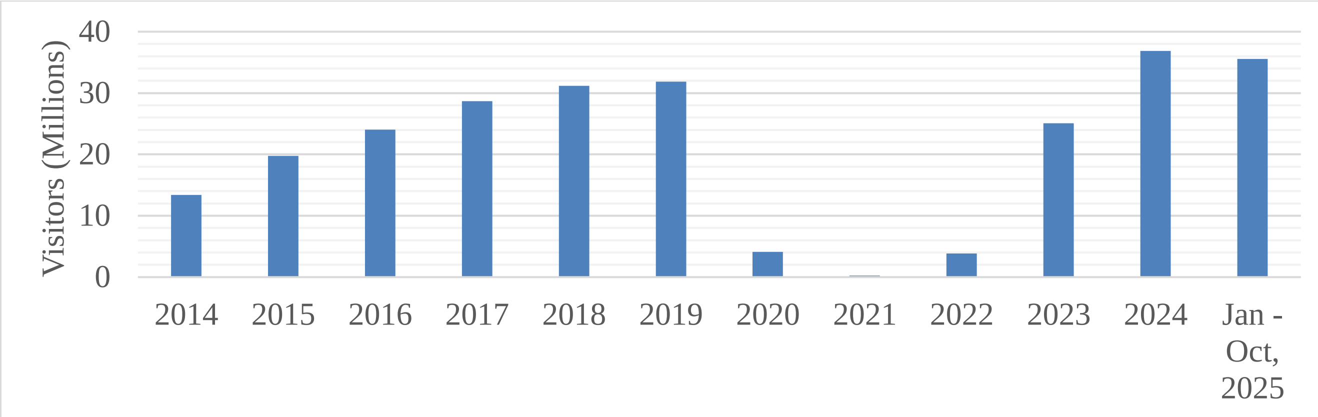
The decline in household consumption of milk beverages may be partially offset by growing consumption in hotels and restaurants, driven by robust tourism activity. From January to October 2025, the number of foreign tourists visiting Japan reached 35.5 million, with year-round visitor numbers expected to surpass the record-high levels achieved in 2024 (Figure 8).

Figure 7: Consumer Price Index for Dairy Products (based on price in 2020)



Source: MIAC

Figure 8: Foreign Visitors to Japan



Source: Japan National Tourism Organization

Butter

Table 2: Butter Production, Supply and Distribution

Dairy, Butter	**2024**		**2025**		**2026**	
Market Year Begins	**Jan 2024**		**Jan 2025**		**Jan 2026**	
Japan	**USDA Official**	**New Post**	**USDA Official**	**New Post**	**USDA Official**	**New Post**
Beginning Stocks (1000 MT)	26	20	22	22	0	24
Production (1000 MT)	70	72	72	75	0	75
Other Imports (1000 MT)	18	18	16	15	0	15
Total Imports (1000 MT)	18	18	16	15	0	15
Total Supply (1000 MT)	114	110	110	112	0	114
Other Exports (1000 MT)	0	0	0	0	0	0
Total Exports (1000 MT)	0	0	0	0	0	0
Domestic Consumption (1000 MT)	92	88	90	88	0	88
Total Use (1000 MT)	92	88	90	88	0	88
Ending Stocks (1000 MT)	22	22	20	24	0	26
Total Distribution (1000 MT)	110	110	110	112	0	114
(1000 MT)						
OFFICIAL DATA CAN BE ACCESSED AT: PSD Online Advanced Query						

Note: Not Official USDA Data

Excess Milk to Be Diverted to Butter Production, while Demand for Imported Butter Remains Stable

FAS/Tokyo projects Japan's 2026 butter production will remain at the same level as in 2025, due to an increase in raw milk diverted to processing as a result of weak demand for drinking milk. Imported butter, which has a price advantage over domestically produced butter, continues to see stable demand, particularly among bread and confectionery manufacturers. As inflation persists, a significant increase in demand is unlikely, and import volumes are expected to remain at 2025 levels. Consequently, year-end butter stocks for 2026 are forecast to increase, compared to the same period in the previous year.

Robust Butter Production and Flat Consumption Drive High Stock Levels in 2025

In 2025, as noted in the Fluid Milk section, surplus raw milk resulting from weak domestic demand for drinking milk continued to be supplied for processing. As a result, Japan's butter production from January to September 2025 increased by seven percent compared to the previous year (Figure 9). Another factor contributing to increased butter production is the steady growth in raw milk production in Hokkaido, which produces a significant share of milk for processing.

Domestic butter consumption in Japan in 2025 remained consistent with the previous year. Retail butter prices have continued to rise in recent years, with the consumer price index for butter reaching a level 38 percent higher than in 2020 (Figure 7 in the Fluid Milk section). Meanwhile, household consumption, which had been declining from 2020 to 2023, shifted to year-on-year growth in 2024. Household purchases from January to September 2025 also maintained the same level as the previous year (Supplemental Table 3-b).

Demand within the food processing industry is expected to see some growth, driven by increased consumption of bread and confectionery products due to the rising number of travelers, including foreign tourists. However, some companies may face production challenges due to unstable supply and pricing of ingredients other than butter, such as eggs, which were affected by the outbreak of highly pathogenic avian influenza (HPAI) in Japan during the winter of 2024 and 2025.

Japan's Butter Imports Shifted Due to Globally High Prices

While demand for imported butter remains strong, Japan's butter imports in the first ten months of 2025 were lowered than the same period in 2025 due to a surge in global butter prices, especially for imports from European countries (France and the Netherland) and New Zealand. The U.S. butter price, however, was competitive during this period, with imports reaching 823 metric ton (MT), about an 800 percent increase over Calendar Year 2024 (Table 3).

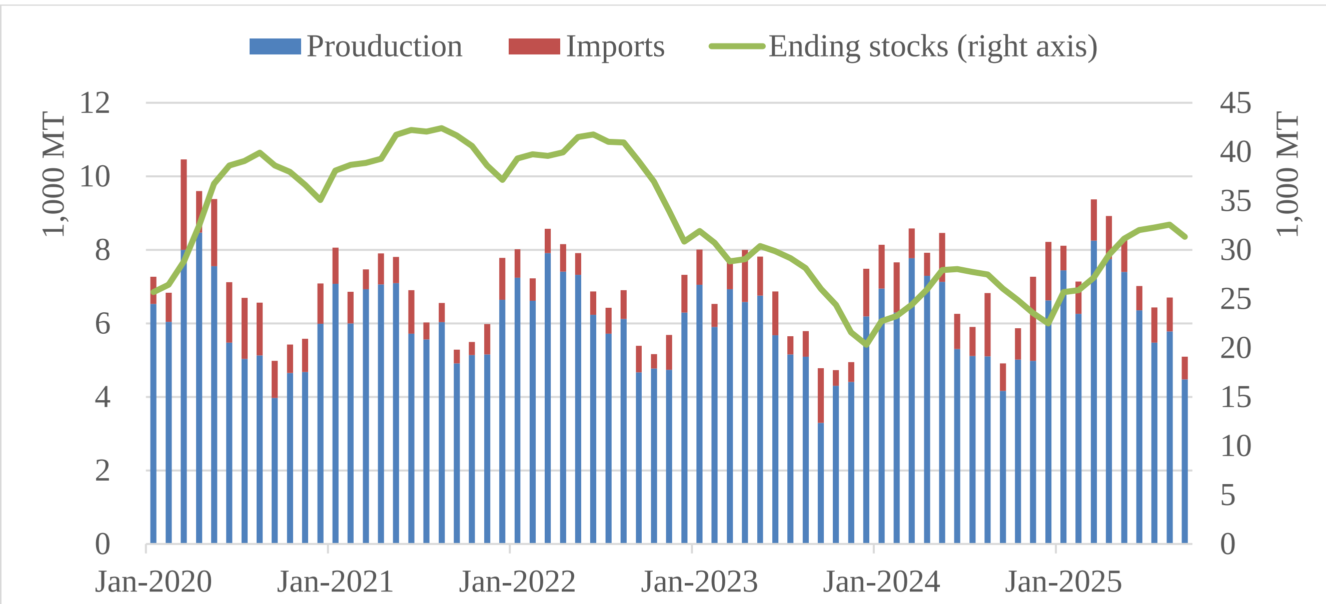
In accordance with Japan's commitments to the World Trade Organization (WTO), Agriculture and Livestock Industries Corporation (ALIC) manages the designated dairy products tariff-rate quota (TRQ). ALIC awards butter tenders monthly and non-fat dried milk (NFDM) tenders on an ad-hoc basis. On January 31, MAFF announced the TRQ volume for butter for the Japanese Fiscal Year 2025 (JFY, April 2025 – March 2026) would range between 8,000 and 10,000 metric tons (MT). Following reviews conducted in May and September, MAFF decided to maintain these quotas, as no significant gaps between supply and demand were identified.

Table 3: Japan's Butter Imports Unit: MT

	2023	2024	% Chg.	January - October		% Chg.
				2024	2025	
Total	***15,518***	***17,606***	***13%***	***13,903***	***11,925***	***-14%***
New Zealand	10,754	11,613	8%	9,254	7,320	-21%
France	2,333	2,504	7%	1,983	1,806	-9%
Netherlands	1,183	1,393	18%	1,199	794	-34%
United States	49	96	96%	0	823	N/A
Belgium	448	411	-8%	362	433	20%
Germany	227	215	-5%	212	270	27%
Australia	5	934	18580%	508	182	-64%
Other	14,999	17,166	14%	893	479	-46%

Source: Trade Data Monitor, LLC

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



Source: ALIC

Cheese

Table 4: Cheese Production, Supply and Distribution

Dairy, Cheese	2024		2025		2026	
Market Year Begins	Jan 2024		Jan 2025		Jan 2026	
Japan	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks (1000 MT)	9	9	11	11	0	10
Production (1000 MT)	45	45	45	45	0	45
Other Imports (1000 MT)	260	260	255	255	0	260
Total Imports (1000 MT)	260	260	255	255	0	260
Total Supply (1000 MT)	314	314	311	311	0	315
Other Exports (1000 MT)	1	1	1	1	0	1
Total Exports (1000 MT)	1	1	1	1	0	1
Human Dom. Consumption (1000 MT)	302	302	300	300	0	304
Other Use, Losses (1000 MT)	0	0	0	0	0	0
Total Dom. Consumption (1000 MT)	302	302	300	300	0	304
Total Use (1000 MT)	303	303	301	301	0	305
Ending Stocks (1000 MT)	11	11	10	10	0	10
Total Distribution (1000 MT)	314	314	311	311	0	315
(1000 MT)						
OFFICIAL DATA CAN BE ACCESSED AT: PSD Online Advanced Query						

Note: Not Official USDA Data

Rising Demand Drives Continued Reliance on Imports Amid Inflation and Currency Challenges

FAS/Tokyo projects that Japan’s cheese production in 2026 will remain unchanged from 2025 levels. Because of growing domestic consumption, Japan will need to increase cheese imports in 2026, particularly natural cheese, to meet demand. While domestic production remains constrained, inflationary pressures and currency fluctuations will shape import dynamics. Importers are expected to prioritize competitive pricing and diversify sourcing to maintain supply stability in the face of global market challenges.

Production in 2025

According to MAFF, Japan’s cheese production in JFY2024 was flat compared to the previous year. While the number of cheese factories has more than doubled over the past 15 years, these smaller facilities’ limited production capacity means national output remains insufficient to meet domestic demand. Major dairy processors are investing in larger production facilities to expand capacity, but these efforts have yet to close the supply-demand gap.

Consumption in 2025

Due to continuing ongoing inflationary pressure, retail cheese sales have stagnated. Consumer prices for cheese (CIP) rose steadily, reaching 30 percent higher levels in 2025 now compared to 2020 (Figure 7 in the fluid milk section of this report). In the first nine months of 2025, retail sales volume declined by two percent compared to the same period in 2024 (Supplemental Table 3-b).

Demand for cheese in Japan's food processing and food service industries remains stable. However, these sectors face rising costs for all ingredients, making the procurement of competitively-priced cheese essential. As a result, demand for imported cheese remains strong.

Import Trends and Competitive Landscape

To bridge the gap between domestic production and demand, Japan continues to rely heavily on cheese imports, which accounted for 85 percent of total consumption in 2024. Japanese importers are increasingly sensitive to global cheese prices and currency fluctuations, particularly the devaluation of the Japanese yen against the U.S. dollar and the Euro.

From 2024 to 2025, Japan reduced cheese imports from European countries due to high prices. For example, imports from the Netherlands in the first ten months of 2025 fell by 26 percent compared to the same period in 2024 (Table 5). The Cost, Insurance, and Freight (CIF) price for cheese imports from the Netherlands spiked by 22 percent, year-on-year (Figure 10).

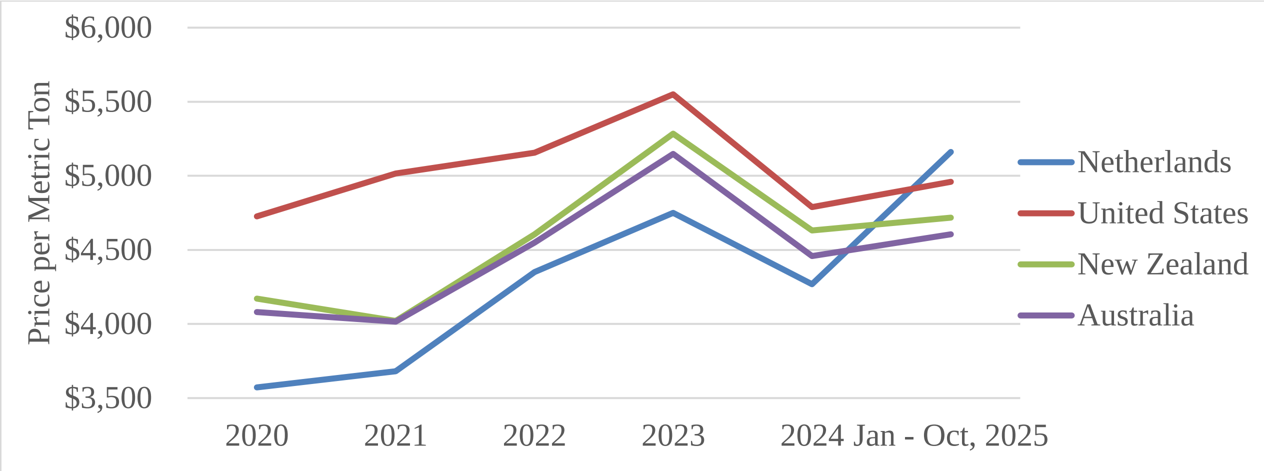
In contrast, CIF prices for cheese from Oceania and the United States saw milder increases compared to European cheese, leading to higher import volumes from these regions in 2025. Imported cheese remains price-competitive against domestically produced cheese, ensuring Japanese importers will continue to monitor global price trends closely and seek the best products to import in 2026.

Table 5: Japan's Cheese Imports Unit: MT

	2023	2024	Chg.	January - October		
				2024	2025	Chg.
Total	***251,893***	***260,242***	***3%***	***217,407***	***214,456***	***-1%***
Australia	51,379	66,925	30%	55,847	55,181	-1%
New Zealand	61,064	56,520	-7%	47,080	55,255	17%
United States	40,335	41,648	3%	35,321	39,671	12%
Netherlands	27,636	23,485	-15%	20,116	14,870	-26%
Denmark	15,862	16,054	1%	12,437	10,907	-12%
Germany	14,710	14,819	1%	12,589	10,174	-19%
Ireland	12,985	12,813	-1%	10,787	6,497	-40%
Italy	11,542	12,230	6%	10,154	10,392	2%
France	9,665	9,299	-4%	7,850	8,029	2%
Other	6,715	6,449	-4%	5,226	3,480	-33%

Source: Trade Data Monitor, LLC

Figure 10: CIF Prices for Cheese Imported by Japan: Top 4 Trading Partners



Note: Price refers to cost, insurance and freight (CIF).
Source: Trade Data Monitor, LLC

Non-Fat Dry Milk (NFDM)

Table 6: NFDM Production, Supply and Distribution

Dairy, Milk, Nonfat Dry	2024		2025		2026	
Market Year Begins	Jan 2024		Jan 2025		Jan 2026	
Japan	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks (1000 MT)	64	50	65	50	0	69
Production (1000 MT)	158	152	160	160	0	160
Other Imports (1000 MT)	24	24	30	30	0	15
Total Imports (1000 MT)	24	24	30	30	0	15
Total Supply (1000 MT)	246	226	255	240	0	244
Other Exports (1000 MT)	1	1	1	1	0	1
Total Exports (1000 MT)	1	1	1	1	0	1
Human Dom. Consumption (1000 MT)	150	155	160	145	0	145
Other Use, Losses (1000 MT)	30	20	30	25	0	30
Total Dom. Consumption (1000 MT)	180	175	190	170	0	175
Total Use (1000 MT)	181	176	191	171	0	176
Ending Stocks (1000 MT)	65	50	64	69	0	68
Total Distribution (1000 MT)	246	226	255	240	0	244
(1000 MT)						
OFFICIAL DATA CAN BE ACCESSED AT: PSD Online Advanced Query						

Note: Not Official USDA Data

Continued High NFDM Production in 2026

FAS/Tokyo projects that Japan will sustain significant production levels of NFDM as a byproduct of butter production driven by excess milk supply in 2026, consistent with 2025. Demand for NFDM in animal feed is expected to contribute to stockpile reduction and may help stimulate overall consumption. As a result, ending stocks for 2026 are projected to remain at 2025 level.

NFDM Production and Consumption Trends in 2025

According to ALIC, NFDM production from January through September 2025 increased by five percent compared to the same period in 2024, reflecting strong butter production (Figure 11). However, consumption of NFDM in dairy products such as yogurt has stagnated due to a price surge (Figure 7 in the fluid milk section), leading to softened demand. Accordingly, the estimated NFDM consumption during the first nine months of 2025 decreased by eight percent compared to the same period in 2024.

Rising NFDM Imports for Animal Feed

In spite of growing stocks of domestically produced NFDM, Japan's imports of NFDM also increased in 2025 (Table 7), particularly for animal feeding purposes. Imports for this use climbed by 22 percent, accounting for 78percent of Japan's total NFDM imports. The increase in imports is attributed to a rise in calf births and the competitive pricing of imported NFDM compared to domestic products.

Stock Levels and Industry Response

The imbalance between demand for domestic and imported NFDM led to a 32 percent increase in ending stock levels of NFDM in September 2025 compared to 2024 (Figure 11).

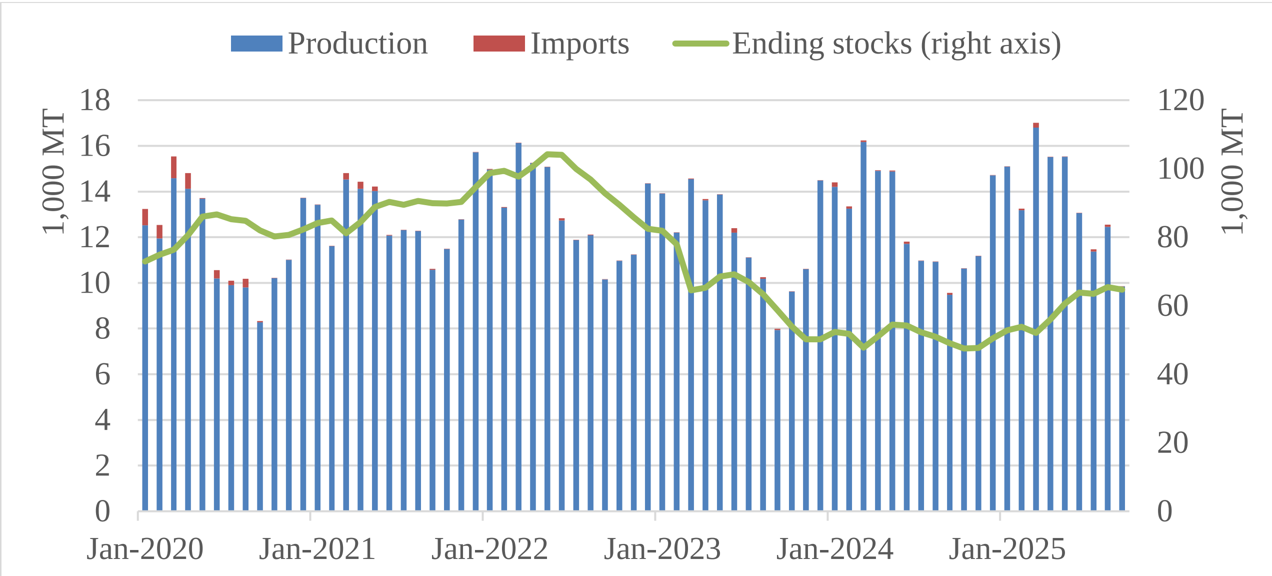
In April 2025, the Japan Dairy Association (commonly known as J-milk) established the Dairy Industry Supply and Demand Adjustment Fund (the Fund) to replace MAFF payment programs provided to the Japanese dairy industry during COVID-19 (see JA2020-0090, JA2020-0099 for details). The Fund is financed by contributions from dairy farms and related industries. MAFF has encouraged participation in the Fund by making membership a requirement for accessing certain livestock-related national programs.

To address the growing stockpile of NFDM, J-milk has decided to implement a support program for the first time since the Fund was established. The program is designed to replace NFDM intended for human consumption with NFDM for animal feeding, with the price difference between the two covered by the Fund. The program is scheduled to operate from January through March 2026, with the possibility to extend its operation if necessary.

NFDM TRQ and Tender Results in 2025

As part of Japan's WTO commitments, MAFF's TRQ volume for NFDM is set annually and remains unchanged at 750 MT for JFY2025, consistent with 2024. Through the end of October 2025, ALIC organized two tenders for NFDM (in May and August), successfully auctioning 325 MT of NFDM imports.

Figure 11: Japan’s NFDM Supply and Ending Stock (monthly)



Source: ALIC

Table 7: Japan’s NFDM Imports

	2023	2024	% Chg.	January – October		
				2024	2025	% Chg.
Total	**8,074**	**24,291**	**201%**	**18,666**	**22,910**	**23%**
New Zealand	4,944	12,635	156%	9,821	12,246	25%
Australia	1,875	4,602	145%	3,601	4,183	16%
United States	751	5,613	647%	4,865	2,650	-46%
Ukraine	0	399	N/A	0	2,003	N/A
Sweden	0	100	N/A	0	578	N/A
Lithuania	96	0	-100%	0	357	N/A
Netherlands	246	40	-84%	37	288	678%
Other	162	902	457%	342	605	77%

Source: Trade Data Monitor, LLC

Supplemental Tables

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

	2020	2021	2022	2023	2024	% Chg.	January – September		% Chg.
							2024	2025	
National Fluid Milk Production									
Total	7,438	7,592	7,617	7,299	7,357	1%	5,546	5,611	1%
Hokkaido	4,154	4,266	4,309	4,147	4,233	2%	3,181	3,264	3%
Other Prefectures	3,285	3,326	3,308	3,152	3,124	-1%	2,365	2,347	-1%
Hokkaido Share	56%	56%	57%	57%	58%	N/A	57%	58%	N/A
Other Prefectures Share	44%	44%	43%	43%	42%	N/A	43%	42%	N/A
Fluid Milk Utilizations									
For Drinking	4,020	4,001	3,977	3,850	3,823	-1%	2,861	2,855	0%
For Processing	3,374	3,543	3,594	3,402	3,487	2%	2,649	2,724	3%
For Other	45	48	47	46	47	1%	36	32	-11%

Source: MAFF

Supplemental Table 2: Japanese Utilization of Fluid Milk for Drinking Use Category
Unit: 1,000 Kilo Liter

	2020	2021	2022	2023	2024	% Chg.	January – September		% Chg.
							2024	2025	
Total Drinking Milk Products	3,574	3,576	3,564	3,468	3,437	-1%	2,565	2,548	-1%
Regular Milk	*3,180*	*3,194*	*3,178*	*3,087*	*3,073*	*0%*	*2,294*	*2,289*	*0%*
Processed Milk	*394*	*382*	*386*	*382*	*364*	*-5%*	*271*	*259*	*-4%*
Milk Beverages	1,108	1,059	1,077	1,069	1,018	-5%	770	747	-3%
Fermented Milk	1,060	1,034	1,063	996	1,024	3%	768	787	2%
Lactic Acid Bacteria Drinks	117	113	106	97	106	9%	80	71	-11%

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

Supplemental Table 3: Japanese Household Consumption of Milk and Dairy Products (two or more-person household)

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

	Bread	**Milk**	**Powdered Milk**	**Yogurt**	**Butter**	**Cheese**
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
2024	34,609	15,908	881	14,043	1,365	7,096
% Chg.	2%	1%	4%	3%	8%	2%
Jan/Sep, 2024	25,941	12,073	641	10,437	1,005	5,242
Jan/Sep, 2025	25,405	11,801	831	10,915	1,057	5,269
% Chg.	-2%	-2%	30%	5%	5%	1%

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

(3-a cont.) Unit: JP yen

	Confectionary	**Coffee Beverage**	**Lactic Acid Bacterial Drinks**	**Milk Beverage**	**Margarine**	**Ice Cream and Sherbet***
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
2024	104,417	5,619	5,904	2,830	633	12,295
% Chg.	5%	7%	0%	2%	0%	6%
Jan/Sep, 2024	76,799	4,351	4,428	2,108	479	9,943
Jan/Sep, 2025	81,048	4,800	4,209	2,250	489	10,569
% Chg.	6%	10%	-5%	7%	2%	6%

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

3-b) Household consumption in volume

	Milk (1 liter)	Cheese (1 gram)	Butter (1 gram)	Margarine (1 gram)	Bread (1 gram)
2020	78	4,051	650	911	45,857
2021	74	4,074	639	847	44,345
2022	73	3,799	597	765	43,571
2023	70	3,440	568	709	42,680
2024	68	3,445	573	713	42,702
% Chg.	-3%	0%	1%	1%	0%
Jan/Sep, 2024	52	2,568	419	550	32,289
Jan/Sep, 2025	50	2,513	417	524	31,207
% Chg.	-3%	-2%	0%	-5%	-3%

Source: MIAC

Attachments:

No Attachments