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Japan

Dairy and Products Annual

2015 Market Outlook and 2014 Situation Update Summary

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Report Highlights:

Japanese production of fluid milk is projected to fall again in 2014, though a modest recovery is anticipated in 2015. In 2014, Japan contracted significant additional volumes of imported butter and non-fat dry milk, more than doubling Japanese fiscal year 2014 current access commitments; U.S. suppliers were not price competitive. Imports of U.S. cheeses will set a new record in 2014, outstripping the 2013 record high by at least 30 percent.

Executive Summary:

Japanese production of fluid milk is projected to fall again in 2014, though a modest recovery is anticipated in 2015. Dairy producers continue their steady exit from the industry without securing successors, resulting in fewer farms and lower fluid milk production. The Japanese dairy sector is diverting increasing volumes of milk to cream and cheese production at the expense of butter and non-fat dry milk (NFDM). This trend, coupled with reduced fluid milk production required the Government of Japan (GOJ) to conduct two rounds of additional imports of butter and NFDM (10,000 MT of each commodity) in addition to current access commitments in Japanese fiscal year (JFY) 2014. New Zealand was the primary beneficiary of these additional imports, capturing more than 70 percent of butter contracts and more than 60 percent of NFDM contracts.

Imports of U.S. cheeses will set a new record in 2014 as price-competitive U.S. products ate into Oceania suppliers' historically dominant position in filling the duty free tariff rate quota (TRQ) for natural cheese for blending. However, Russian import bans on European Union (EU) agricultural products have begun to push down global cheese prices, which could ultimately restore the status quo, bringing the meteoric rise in U.S. cheese imports back to Earth.

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	2013		2014		2015	
	Market Year Begin: Jan 2013		Market Year Begin: Jan 2014		Market Year Begin: Jan 2015	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Cows In Milk	798	798	800	773		775
Cows Milk Production	7,560	7,508	7,580	7,315		7,350
Other Milk Production	0	0	0	0		0
Total Production	7,560	7,508	7,580	7,315		7,350
Other Imports	0	0	0	0		0
Total Imports	0	0	0	0		0
Total Supply	7,560	7,508	7,580	7,315		7,350
Other Exports	0	0	0	0		0
Total Exports	0	0	0	0		0
Fluid Use Dom. Consum.	3,950	3,975	3,950	3,915		3,890
Factory Use Consum.	3,550	3,477	3,570	3,350		3,410
Feed Use Dom. Consum.	60	56	60	50		50
Total Dom. Consumption	7,560	7,508	7,580	7,315		7,350
Total Distribution	7,560	7,508	7,580	7,315		7,350

1000 HEAD, 1000 MT

Note: Post revised 2015 numbers on October 23, 2014.

Butter PS&D Table

Dairy, Butter Japan	2013		2014		2015	
	Market Year Begin: Jan 2013		Market Year Begin: Jan 2014		Market Year Begin: Jan 2015	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks	18	18	18	18		18
Production	71	68	73	60		65
Other Imports	1	4	4	11		8
Total Imports	1	4	4	11		8
Total Supply	90	90	95	89		91
Other Exports	0	0	0	0		0
Total Exports	0	0	0	0		0
Domestic Consumption	72	72	74	71		72
Total Use	72	72	74	71		72
Ending Stocks	18	18	21	18		19
Total Distribution	90	90	95	89		91
1000 MT						

Non Fat Dry Milk PS&D Table

Dairy, Milk, Nonfat Dry Japan	2013		2014		2015	
	Market Year Begin: Jan 2013		Market Year Begin: Jan 2014		Market Year Begin: Jan 2015	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks	40	40	43	40		32
Production	142	136	145	120		130
Other Imports	33	32	32	37		42
Total Imports	33	32	32	37		42
Total Supply	215	208	220	197		204
Other Exports	0	0	0	0		0
Total Exports	0	0	0	0		0
Human Dom. Consumption	147	146	150	140		145
Other Use, Losses	25	22	25	25		25
Total Dom. Consumption	172	168	175	165		170
Total Use	172	168	175	165		170
Ending Stocks	43	40	45	32		34
Total Distribution	215	208	220	197		204
1000 MT						

Cheese PS&D Table

Dairy, Cheese Japan	2013		2014		2015	
	Market Year Begin: Jan 2013		Market Year Begin: Jan 2014		Market Year Begin: Jan 2015	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks	15	15	15	15		15
Production	47	49	48	50		50
Other Imports	243	236	247	230		235
Total Imports	243	236	247	230		235
Total Supply	305	300	310	295		300
Other Exports	0	0	0	0		0
Total Exports	0	0	0	0		0
Human Dom. Consumption	290	285	295	280		285
Other Use, Losses	0	0	0	0		0
Total Dom. Consumption	290	285	295	280		285
Total Use	290	285	295	280		285
Ending Stocks	15	15	15	15		15
Total Distribution	305	300	310	295		300
1000 MT						

2014 Situation Summary and Outlook

Fluid Milk, Butter and NFDM:

Fluid Milk Production to Decline Further in 2014

Dairy production across Japan continued to face significant headwinds in 2014. The increasing age of farmers and the lack of successors to continue farming operations in the next generation (problems that are common across Japanese agriculture) were and will continue to be the most significant challenges for the dairy sector. The physical demands of dairying, low profitability relative to the size of required investment in facilities, equipment and machinery, as well as the increased input costs for feed, fuel and electricity were all contributing factors to the continued exit of dairy operators, especially small- and medium-sized dairy farms in 2014. Even in the core dairy production center of Hokkaido, where relatively larger scale operators produce over half of the national fluid milk output, dairy farm operators have been exiting out of production at an average rate of three percent per year in recent years. Elsewhere across Japan, where fluid milk production for drinking is fairly evenly dispersed, the average rate of exit has been five percent per year.

At the beginning of calendar year 2014, there were a total of 18,600 dairy farms (down four percent from the previous year) raising a total of 1.395 million head of cows and heifers (nearly two percent lower from the previous year) (see Table 10). In Hokkaido, the total number of milk cows at the beginning of 2014 was three percent lower from 2013, at 401,000 head, while the total number of milk cows across the rest of Japan was four percent lower. In the January – August period, national total fluid milk production fell by three percent to 4.956 million MT compared to 2013 (Hokkaido at 2.563 million MT and the rest of Japan at 2.393 million MT, both down three percent). Since the majority of fluid milk produced in Hokkaido is utilized for processing, this decrease has most acutely affected the production of processed dairy products.

With no signs of improvement in Hokkaido's fluid milk production for the rest of 2014, Post projects Japan's 2014 national fluid milk production to be around **7.315 million MT** (down by three percent from 2013), with milk for drinking at **3.915 million MT** (down by two percent) and milk for processing at **3.350 million MT** (down by four percent).

Facing Supply Shortages, Japan Imports Butter and NFDM In Addition to Current Access

Despite the GOJ's increased direct subsidy payment for fluid milk for processing use for JFY 2014¹, the trend of monthly output declines that has persisted since mid-2013 continues to constrain the supply of fluid milk available for processing (see Table 2). Within this tight supply environment, the improved profit margins for cream and cheese production have diverted significant supplies away from the production of butter and NFDM. Nationally, the volume of fluid milk used for cream production over the January – August period was up four percent (to 875,758 MT), primarily for confectionary use and for value-added chilled cup desserts sold at national convenience store chain outlets. Total volume of fluid milk for cheese production was also up four percent over the same period (to 334,723 MT),

¹ The Japanese Fiscal Year is from April through March. JFY 2014 spans April 1, 2014 through March 31, 2015.

supported by the growing popularity of Japanese domestic-brand natural cheeses for direct consumption. Industry sources report that non-fat concentrated liquid milk (the primary by-product of cream production) has been gradually replacing NFDM in various types of dairy-based products, including yogurt, milk beverages, and premium desserts in recent years.

Accordingly, domestic production of butter and NFDM fell substantially in the January – August period, with production volumes down 15 percent for both commodities as a direct result of the increased production of cream and cheese. Falling production of butter and NFDM outputs have led to a steady drawing down of stocks, pushing monthly average wholesale prices for each commodity upwards, with the most recent monthly prices for both commodities climbing six percent over 2013 levels (see Tables 4 and 7). At the end of August, butter stocks were down 32 percent to 16,600 MT (roughly equivalent to 2.5 – 2.7 months of average consumption) and NFDM stocks were down 26 percent to 35,500 MT (roughly equivalent to 2.3 – 2.5 months of average consumption) (see Table 6).

In order to stabilize the domestic market supply and demand situation for butter and NFDM, the Agriculture Livestock Industry Corporation (ALIC), the state trading entity affiliated with the Ministry of Agriculture Forestry and Fisheries, allocated the majority of its JFY 2014 current access commitments to butter and NFDM, importing 3,000 MT and 9,178 MT respectively. However, early on in JFY2014, it became apparent that the current access volumes would not be sufficient to compensate for the declining production of both commodities. In response to steady demand for and flagging production of butter and NFDM, ALIC announced two additional importations of butter and NFDM on top of the JFY 2014 current access commitments: 7,000 MT of butter in May, and then 3,000 MT of butter and 10,000 MT of NFDM in September (see Table 11 and Note 1 for the results).

Note 1: **JFY 2014 Current Access Imports** – The United States captured the lion's share (42 percent) of JFY 2014 current access butter tenders, supplying 1,250 MT out of a total of 3,000 MT. ALIC's JFY 2014 current access tendering results show that Australia provided 29 percent, the Netherlands 15 percent, and Germany 14 percent of the butter volume contracted under current access imports. New Zealand dominated the JFY 2014 current access NFDM tenders, supplying 44 percent of the volume contracted, with Australia supplying 23 percent and the United States 16 percent (1,430 MT).

JFY 2014 Additional imports – The United States was not price competitive with Oceania or EU suppliers on either the 10,000 MT of butter or the 10,000 MT of NFDM already tendered by ALIC in JFY 2014. New Zealand supplied 66 percent of the 7,000 MT of additional butter tenders announced in May, while the Netherlands supplied 27 percent and the United States 0.4 percent (or 25 MT). New Zealand supplied 91 percent of the 3,000 MT of additional butter tenders announced in September, while the Netherlands supplied 7 percent; the United States did not win any contracts. New Zealand provided 64 percent of the additional 10,000 MT of NFDM announced in September, while Australia supplied 23 percent; the United States did not win any contracts. The majority of the additional import volumes announced in September and tendered in October will be delivered in the first quarter of 2015.

As overall fluid milk supplies for processing use in Hokkaido are likely to remain tight for the remainder of 2014, Post is revising projections for Japan's total 2014 butter consumption down slightly to **71,000 MT**. With substantially lower domestic butter production (projected down

12 percent to 60,000 MT) and with butter imports projected to reach 11,000 MT (current access and additional imports combined) in 2014, ending stocks should be roughly the same as carry-in stocks were at the beginning of 2014 at around 18,000 MT.

Post is also revising downward projections for Japan's total 2014 NFDMM demand to 165,000 MT, with human consumption down four percent at 140,000 MT and feed consumption (mostly imported) up 14 percent at 25,000 MT. As Japan's domestic production of NFDMM is projected to fall significantly to 120,000 MT (down 12 percent), total NFDMM imports in 2014 are projected to reach 37,000 MT, the highest level in more than 10 years, with 2,000 MT under the school lunch TRQ, 25,000 MT under the feed TRQ, and nearly 10,000 MT under current access and additional imports. NFDMM ending stocks are expected to fall by 20 percent from the year beginning level to around 32,000 MT, some of which will be replenished by the additional 10,000 MT of NFDMM to be delivered before April 2015 (see Tables 5, 6, 8-A, and 8-B).

Cheese:

Imports of U.S. Cheeses Will Set a New Record High in 2014

After several years of significant growth led to record highs in 2012, total Japanese cheese consumption and imports slowed in 2013 and actually began to decline in 2014. Japan's 2013 total cheese import and consumption levels were only marginally higher than 2012 levels, as higher global market prices for cheese tempered growth. Continued high import prices have rendered unattainable Post's previous outlook for 2014, which projected new record highs for both total consumption and total imports (see Tables 9-A and 9-B). Japan's total cheese imports for the January – August period fell four percent compared to the same period in 2013, as CIF import prices rose by an average of 12 percent to \$5,170 USD per MT. [January – August year-on-year import changes by country: Australia, down 19 percent; New Zealand, down 10 percent; United States, up 71 percent; France, unchanged; Italy, unchanged; Denmark, unchanged; Germany, down 27 percent; and the Netherlands, down 18 percent.]

Contrary to its previous optimistic outlook for Japan's 2014 cheese market, Post now projects total consumption in 2014 to decline by two percent to **280,000 MT**, and total imports to decline by three percent to **230,000 MT**. Within this relatively downbeat overall import projection for 2014, Post projects that imports of U.S. cheeses will reach approximately **45,000 MT** in 2014, up 50 percent from the previous year to a new record high. Over the January – August period, imports of U.S. cheese have climbed more than 80 percent from 2013 levels to over 40,000 MT, eclipsing the 2013 record volume of 31,189 MT by nearly 30 percent. Industry sources have attributed this impressive growth in the first eight months of 2014 to a widening price disparity between the United States and other suppliers of natural cheeses for shredding, which are used for pizzas as well as for toppings on bakery/chilled/frozen dishes sold in retail, convenience, and food service outlets.

Furthermore, high price offers from Australia and New Zealand (the two dominant suppliers for Japan's duty-free TRQ for raw material natural cheese), helped to push up the production costs for Japanese processed cheese manufacturers, resulting in higher consumer prices for Japanese processed cheeses since Spring 2014 (see Note 2). While Australia and New Zealand suppliers remain dominant in this segment of the market, the current pricing situation has created new opportunities for U.S. suppliers to

make substantial inroads as a supplier under the duty-free TRQ. Imports from the United States under this TRQ were up 93 percent to 3,571 MT for the January – August period, while imports from Australia were down seven percent to 15,980 MT, and imports from New Zealand were up four percent at 14,707 MT.

Note 2: For JFY 2014, Japan allocated 65,000 MT to the raw material natural cheese TRQ, which requires that imported natural cheeses are blended with domestic natural cheese to manufacture domestic processed cheese. This TRQ carries an in-quota duty of zero percent, compared with an average ad valorem duty of 20 – 29 percent for natural cheese for direct consumption.

Broadly higher price offers from EU suppliers (Germany up 22 percent, the Netherlands up 19 percent, Denmark up 14 percent, Italy up 4 percent, and France down 1 percent) have been the primary driver behind a substantial contraction of Japan's imports of European natural cheese for direct consumption, primarily impacting the retail as well as hotel and restaurant markets. Some importers and distributors have reportedly reduced portions to avoid retail price increases.

2015 Outlook:

Fluid Milk, Butter and NFDM:

There are signs of a tentative recovery for Hokkaido fluid milk production in 2015. One national dairy industry association expects slightly more milk cows (including first-bred heifers), increased availability of good quality, locally grown forage and feed crops, and continued support from central and local governments as well as local dairy cooperatives to help keep dairy farmers in business through direct and indirect subsidies (see Note 3).

Note 3: MAFF is encouraging farmers to retain milking cows for a longer period of time, increasing from the current practice of 3-4 years to an average of 5-6 years. To help the national dairy herd increase fluid milk output, some local governments and dairy cooperatives have reportedly begun providing farmers with financial incentives and additional subsidies for the acquisition of cows, first-bred heifers, and automated equipment, as well as helping to defray increased feed costs.

Assuming a modest recovery in Hokkaido's output and assuming that the national total number of milk cows at the beginning of 2015 is sustained at the 2014 level (around 775,000 head), Post projects that Japan's total fluid milk output in 2015 will be roughly flat at around 7.320 million MT, as improvement in Hokkaido is offset by moderate declines in other milk producing regions. Post projects that 2015 fluid milk utilization for drinking will fall slightly to 3.88 million MT, in line with a gradual declining trend in drinking milk consumption. Post projects that fluid milk utilization for processing will rise slightly to 3.39 million MT, supported by anticipated output recovery in Hokkaido.

As described in the 2014 Situation and Summary Section, ALIC will import an additional 3,000 MT of butter and 10,000 MT of NFDM in early 2015 on top of the current access commitments for JFY 2014. If these volumes are sufficient to replenish depleted carry-in stocks for each commodity, and if Hokkaido's fluid milk output recovery is realized in 2015, then the tight supply situation for fluid

milk for processing could be alleviated. Under those conditions, Post projects that Japan's 2015 domestic butter and NFDM production will rise to 65,000 MT and 130,000 MT respectively.

At those production levels, Post anticipates that total imports of butter will reach 8,000 MT (comprised of JFY 2015 current access volume in addition to the 3,000 MT of additional butter imports announced in September 2014 and scheduled to arrive in the first quarter of calendar year 2015) and total imports of NFDM will reach 42,000 MT (comprised of JFY 2015 current access volume, the 10,000 MT of additional NFDM imports announced in September 2014 and scheduled to arrive in the first quarter of calendar year 2015, as well as the TRQs for the school lunch program (2,000 MT, projected unchanged) and animal feed (25,000 MT, also projected unchanged)). At the projected levels of total butter and NFDM supply for 2015 (including both domestic production and imports), Post does not currently forecast additional imports above the JFY 2015 current access volumes, which are expected to be allocated primarily to butter and NFDM.

Cheese:

According to industry sources, Russia's August 2014 imposition of one-year food import bans (against the EU, Norway, the United States, Canada, and Australia, among others) marked a signal development in the global market for natural cheese, alleviating price pressures that had been building throughout 2014. Inclusion of EU cheeses in the Russian import bans has resulted in a temporary global supply surplus of natural cheese, easing price pressures for both EU- and Oceania-sourced products. Factoring in the improved forecasts for Japanese fluid milk output and cheese production in 2015, industry sources indicate that Japanese imports of EU and Oceania cheeses are likely to begin to recover in 2015, if not in the fourth quarter of 2014. Under those conditions, Post anticipates that imports of U.S. cheeses are likely to face stronger competition in 2015, which may limit the prospects for continued expansion into the Japanese market.

In addition, the actual medium- and long-term effects of the April 2014 Japanese consumption tax increase (from five percent to eight percent) on Japanese cheese consumption have not yet been fully analyzed. Judging from the household cheese consumption data for the January – August period, which showed relatively flat consumption despite increased prices, demand growth for cheese in Japan appears fairly solid (see Table 1).

Post projects Japan's total cheese import and consumption in 2015 to recover moderately over 2014 levels, reaching **235,000 MT** and **285,000 MT** respectively.

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

		2011	2012	% Chg.	2013	% Chg.	2013	2014	% Chg.
	Unit	Jan/Dec	Jan/Dec		Jan/Dec		Jan/Aug	Jan/Aug	
Milk	Liter	80.99	81.01	0%	80.40	-1%	53.45	53.24	0%
Cheese	gram	2,674	2,760	3%	2,863	4%	1,868	1,874	0%
Butter	gram	501	504	1%	503	0%	323	331	2%
Margarine	gram	1,256	1,255	0%	1,230	-2%	818	760	-7%
Powdered Milk	gram	368	362	-2%	305	-16%	200	191	-5%
Bread for Toast/Sandwich	gram	19,496	19,571	0%	19,636	0%	13,178	13,012	-1%

		2011	2012	% Chg.	2013	% Chg.	2013	2014	% Chg.
	Unit	Jan/Dec	Jan/Dec		Jan/Aug		Jan/Aug	Jan/Aug	
Milk	Yen	15,448	15,266	-1%	15,211	0%	10,009	10,189	2%
Cheese	Yen	4,171	4,284	3%	4,377	2%	2,805	3,027	8%
Butter	Yen	868	906	4%	929	3%	596	627	5%
Margarine	Yen	879	888	1%	856	-4%	571	549	-4%
Yogurt	Yen	8,717	10,270	18%	10,856	6%	7,276	7,626	5%
Milk Beverages	Yen	1,285	1,336	4%	1,380	3%	928	973	5%
Lactic Acid Bacteria Drink	Yen	3,392	3,558	5%	3,441	-3%	2,320	2,306	-1%
Powdered Milk	Yen	715	679	-5%	594	-13%	396	412	4%
Bread for Toast/Sandwich	Yen	8,633	8,524	-1%	8,495	0%	5,690	5,825	2%
Confectionaries	Yen	76,801	77,778	1%	78,949	2%	52,920	52,802	0%

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

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

	Unit Subsidy Payment	Type	Eligible Volume
	Yen/Kg.		Million MT
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
JFY 2013	12.55	direct payment	1.81
JFY 2014	12.80	direct payment	1.80

Source: ALIC Monthly

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

Unit: 1,000 Metric Ton

	2011	2012	2013	% Chg.	2013	2014	% Chg.
	Jan/Dec	Jan/Dec	Jan/Dec		Jan/Aug	Jan/Aug	
Total Drinking Milk Products	3,652	3,586	3,507	-2%	2,311	2,279	-1%
Regular Milk	3,064	3,068	3,031	-1%	1,996	1,966	-2%
Processed Milk	589	518	476	-8%	315	313	-1%
Milk Beverages	1,276	1,331	1,367	3%	910	890	-2%
Fermented Milk	843	984	1,003	2%	683	678	-1%
Lactic Acid Bacteria Drinks	178	163	157	-4%	110	99	-10%

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

	2011	2012	2013	% Chg.	2013	2014	% Chg.
	Jan/Dec	Jan/Dec	Jan/Dec		Jan/Aug	Jan/Aug	
Butter	62,845	68,984	68,303	-1%	51,135	43,588	-15%
Cream	111,663	112,995	113,502	0%	72,744	75,643	4%
Whole Milk Powder	14,302	12,451	10,765	-14%	7,785	8,918	15%
Prepared Milk Powder	27,559	23,914	22,915	-4%	13,979	17,330	24%
Skim Milk Powder (NFDM)	137,141	138,598	136,354	-2%	98,490	83,576	-15%
Ice Cream (Unit: kilo liter)	137,072	138,046	143,433	4%	99,562	98,397	-1%

Source: ALIC Monthly

Table 5: Japanese NFDM Imports

Unit: Metric Ton

	2011	2012	2013	% Chg.	2013	2014	% Chg.
	Jan/Dec	Jan/Dec	Jan/Dec		Jan/Aug	Jan/Aug	
For School Lunch Program	1,959	1,966	1,924	-2%	1,324	1,414	7%
For Feeds	22,264	26,886	22,361	-17%	14,782	16,336	11%
For Other Use (Current Access and ordinary imports)	3,014	3,436	7,966	132%	6,715	9,004	34%
Total NFDM Imports	27,237	32,288	32,281	0%	22,822	26,754	17%

Source: ALIC Monthly

Table 6: Monthly Ending Stocks of Butter and NFDM

Unit: 1,000 Metric Ton

Butter							
	2011	2012	% Chg.	2013	% Chg.	2014	% Chg.
Jan	22.6	18.9	-16%	21.9	16%	19.1	-13%
Feb	21.1	18.9	-11%	22.2	17%	18.2	-18%
Mar	20.6	19.1	-7%	23.5	23%	17.3	-26%
Apr	21.3	19.4	-9%	24.4	25%	17.2	-29%
May	23.0	21.5	-6%	25.8	20%	18.0	-30%
Jun	22.7	21.5	-5%	25.7	20%	18.4	-29%
July	21.8	21.5	-1%	25.0	16%	17.1	-32%
Aug	23.0	23.2	1%	24.5	6%	16.6	-32%
Sept	21.8	22.4	3%	23.0	2%		
Oct	20.6	21.3	3%	21.5	1%		
Nov	18.6	20.5	10%	20.0	-2%		
Dec	16.0	18.0	13%	18.2	1%		
NFDM							
	2011	2012		2013		2014	
Jan	60.7	45.9	-24%	45.3	-1%	42.0	-7%
Feb	60.6	46.4	-23%	46.7	1%	41.0	-12%
Mar	58.7	47.6	-19%	49.5	4%	40.3	-19%
Apr	58.2	48.2	-17%	52.1	8%	39.9	-23%
May	58.2	48.2	-17%	53.3	10%	39.8	-25%
Jun	54.7	47.1	-14%	53.1	13%	39.2	-26%
July	50.3	44.9	-11%	50.7	13%	37.2	-27%
Aug	47.1	43.2	-8%	48.3	12%	35.5	-26%
Sept	42.9	39.7	-7%	44.1	11%		
Oct	40.4	36.7	-9%	40.3	10%		
Nov	39.1	36.6	-6%	38.0	4%		
Dec	41.8	40.3	-4%	40.3	0%		

Source: ALIC Monthly

Table 7: Average Wholesale Price of Dairy Products

Unit: JP Yen per Kg.

Butter							
	2011	2012	% Chg.	2013	% Chg.	2014	% Chg.
Jan	1,062	1,140	7%	1,224	7%	1,237	1%
Feb	1,057	1,142	8%	1,233	8%	1,240	1%
Mar	1,065	1,158	9%	1,233	6%	1,239	0%
Apr	1,069	1,172	10%	1,236	5%	1,275	3%
May	1,077	1,179	9%	1,237	5%	1,278	3%
Jun	1,087	1,189	9%	1,237	4%	1,281	4%
July	1,094	1,192	9%	1,236	4%	1,295	5%
Aug	1,110	1,203	8%	1,237	3%	1,309	6%
Sept	1,120	1,212	8%	1,237	2%		-100%
Oct	1,129	1,213	7%	1,236	2%		-100%
Nov	1,133	1,217	7%	1,237	2%		-100%
Dec	1,138	1,219	7%	1,237	1%		-100%
NFDM							
	2011	2012	% Chg.	2013	% Chg.	2014	% Chg.
Jan	14,564	15,200	4%	15,761	4%	15,727	0%
Feb	14,512	15,211	5%	15,753	4%	15,736	0%
Mar	14,515	15,236	5%	15,759	3%	15,779	0%
Apr	14,584	15,246	5%	15,767	3%	16,323	4%
May	14,641	15,251	4%	15,763	3%	16,478	5%
Jun	14,701	15,243	4%	15,749	3%	16,601	5%
July	14,736	15,264	4%	15,755	3%	16,703	6%
Aug	14,864	15,449	4%	15,750	2%	16,736	6%
Sept	14,987	15,567	4%	15,737	1%		-100%
Oct	15,085	15,638	4%	15,729	1%		-100%
Nov	15,140	15,699	4%	15,726	0%		-100%
Dec	15,156	15,685	3%	15,728	0%		-100%

Source: ALIC Monthly

Table 8-A: Japanese Butter Imports YTD

Unit: Metric Ton, Customs Clearance Basis

Partner Country	Calendar Year (Jan. - Dec.)				Year To Date (Jan. - Aug.)		
	2011	2012	2013	% Chg.	08/2013	08/2014	% Chg.
World	14,026	9,774	3,888	-60%	246	3,030	1132%
New Zealand	4,974	4,753	2,997	-37%	37	1,283	3368%
Australia	931	1,848	275	-85%	102	67	-34%
France	358	144	230	60%	74	96	30%
United States	5,016	986	223	-77%	0	721	n.a.
Netherlands	2,037	1,989	149	-93%	25	438	1652%
Germany	703	44	0	-100%	0	419	n.a.
Others	7	10	14	40%	8	6	-25%

Source of Data: Global Trade Atlas (Japan Ministry of Finance)

Table 8-B: Average C&F Price YTD

Unit: U.S. Dollar per Metric Ton

Partner Country	Calendar Year (Jan. - Dec.)				Year To Date (Jan. - Aug.)		
	2011	2012	2013	% Chg.	08/2013	08/2014	% Chg.
World	5,554	3,516	4,558	30%	8,031	5,267	-34%
France	9,025	12,100	10,195	-16%	13,701	14,264	4%
Netherlands	6,121	3,634	5,742	58%	4,267	5,227	22%
Australia	5,241	3,436	5,506	60%	5,960	6,919	16%
New Zealand	5,029	3,212	4,014	25%	5,187	4,952	-5%
United States	5,533	3,596	3,885	8%	0	4,494	n/a
Germany	6,393	3,512	0	-100%	0	5,244	n/a

Source of Data: Global Trade Atlas (Japan Ministry of Finance)

Table 9-A: Japanese Cheese Imports YTD

Unit: Metric Ton, Customs Clearance Basis

Partner Country	Calendar Year (Jan. - Dec.)				Year To Date (Jan. - Aug.)		
	2011	2012	2013	% Chg. (2013/2012)	08/2013	08/2014	% Chg.
World	215,262	234,616	236,191	1%	159,723	153,286	-4%
Australia	90,062	93,505	94,428	1%	65,342	53,061	-19%
New Zealand	56,329	66,169	63,881	-3%	42,242	38,141	-10%
United States	21,424	26,656	30,322	14%	20,180	34,416	71%
France	9,023	9,475	9,080	-4%	5,728	5,744	0%
Germany	9,363	9,400	8,599	-9%	6,429	4,066	-37%
Italy	6,584	7,784	8,123	4%	5,338	5,321	0%
Denmark	8,295	7,928	7,676	-3%	5,103	5,083	0%
Netherlands	6,373	6,189	6,795	10%	4,354	3,552	-18%
Argentina	4,057	3,588	3,367	-6%	2,360	1,686	-29%
Others	3,752	3,922	3,920	0%	2,647	2,216	-16%

Source: Global Trade Atlas (Japan Ministry of Finance)

Table 9-B: Average CIF Price YTD

Unit: U.S. Dollar per Metric Ton

Partner Country	Calendar Year (Jan. - Dec.)				Year To Date		
	2011	2012	2013	% Chg. (2013/2012)	08/2013	08/2014	% Chg.
World	5,175	4,956	4,735	-4%	4,607	5,170	12%
Italy	11,586	10,640	10,654	0%	10,608	11,054	4%
France	10,103	9,795	8,840	-10%	8,698	8,612	-1%
Denmark	7,301	6,911	6,689	-3%	6,518	7,413	14%
United States	5,262	4,836	4,814	0%	4,697	4,699	0%
Netherlands	5,196	4,721	4,800	2%	4,595	5,465	19%
Germany	4,594	4,137	4,415	7%	4,260	5,202	22%
Australia	4,462	4,433	4,115	-7%	4,084	4,454	9%
Argentina	4,258	4,090	4,107	0%	3,958	4,709	19%
New Zealand	4,511	4,263	4,029	-5%	3,850	4,827	25%

Source: Global Trade Atlas (Japan Ministry of Finance)

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

	2011	2012	% Chg.	2013	% Chg.	2014	% Chg.
All Prefectures							
Number of Farms (Farms)	21,000	20,100	-4%	19,400	-3%	18,600	-4%
Number of National Dairy Herd Total (Heads)	1,467,300	1,449,000	-1%	1,423,000	-2%	1,395,000	-2%
Average farm size (head)	70	72	3%	73	2%	75	2%
Total Cow(Heads)	932,900	942,600	1%	923,400	-2%	893,400	-3%
Cows in milk (Heads)	804,700	812,700	1%	798,300	-2%	772,500	-3%
Dry Cows (Heads)	128,200	129,900	1%	125,100	-4%	121,000	-3%
Heifer (Heads)	534,400	506,400	-5%	500,100	-1%	501,200	0%
Hokkaido							
Number of Farms (Farms)	7,500	7,270	-3%	7,130	-2%	6,900	-3%
Number of Hokkaido Dairy Herd Total (1,000 Heads)	827,900	821,900	-1%	806,800	-2%	795,400	-1%
Average farm size (head)	110	113	2%	113	0%	115	2%
Total Cow	479,600	495,400	3%	485,200	-2%	470,300	-3%
Cows in milk (Heads)	407,000	421,200	3%	413,100	-2%	401,000	-3%
Dry Cows (Heads)	72,600	74,200	2%	72,100	-3%	69,400	-4%
Heifer (Heads)	348,300	326,600	-6%	321,700	-2%	325,100	1%
Other Prefectures							
Number of Farms (Farms)	13,500	12,830	-5%	12,200	-5%	11,650	-5%
Number of Dairy Herd Total Other Than Hokkaido (1,000 Heads)	639,400	627,100	-2%	616,600	-2%	599,600	-3%
Average farm size (head)	47	49	3%	51	3%	51	2%
Total Cow	453,300	447,200	-1%	438,200	-2%	423,100	-3%
Cows in milk (Heads)	397,700	391,500	-2%	385,200	-2%	371,500	-4%
Dry Cows (Heads)	55,600	55,700	0%	53,100	-5%	51,600	-3%
Heifer (Heads)	186,100	179,800	-3%	178,400	-1%	176,100	-1%

Source: MAFF Livestock Statistics

Table 11: Japan's Imports of Designated Dairy Products under Current Access / Additional Imports

Unit: Metric Ton

	JFY 2012	Milk Equivalent Volume	JFY 2013	Milk Equivalent Volume	JFY 2014	Milk Equivalent Volume
Current Access						
Butter	7,459	92,044	3,500	43,190	3,000	37,020
NFDM	0	0	8,768	56,817	9,178	59,473
Dairy Spread	800	9,872	225	2,777	500	6,170
Butter Oil	300	4,545	242	3,666	250	3,788
Whey/Prepared Whey	4,500	30,780	4,500	30,780	4,500	30,780
Subtotal		137,241		137,229		137,231
Additional Importation						
Butter	2,000	24,680	0	0	10,000	123,400
NFDM	0	0	0	0	10,000	64,800
Subtotal		24,680		0		188,200
Ground Total		161,921		137,229		325,431

Source: Agriculture and Livestock Industry Corporation

Milk Equivalent Conversion Coefficient:

Butter	12.34
NFDM	6.48
Dairy Spread	12.34
Butter Oil	15.15
Whey Powder	6.84