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Japan Announces Decisive Additional Dairy Imports

Report Categories:

Dairy and Products

Agriculture in the News

Agriculture in the Economy

Food Processing Ingredients

Trade Policy Monitoring

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Report Highlights:

On Thursday, May 28, 2015, the Japanese Ministry of Agriculture, Forestry, and Fisheries (MAFF) announced plans to import 10,000 metric tons (MT) of butter and 5,000 MT of non-fat dry milk (NFDM) in Japanese fiscal year (JFY) 2015. Japan's Agriculture and Livestock Industries Corporation (ALIC) will import these products in addition to Japan's required JFY 2015 current access import volume, most of which has already been allocated to butter (2,800 MT), NFDM (10,000 MT), and whey (2,500 MT). Japan has conducted additional dairy imports in five out of the last eight years.

General Information:

Earlier in 2015, MAFF announced that it would wait until May to determine the need for imports in excess of current access commitments.¹ Days after J-Milk (the national industry association representing Japanese dairy producer cooperatives, dairy product manufacturers and merchandizers of milk and dairy products) released its annual production estimates, on May 28, 2015, MAFF announced that additional imports would be required in JFY 2015 in order to ensure a “stable supply” of butter during the winter holidays (Japan’s peak consumption period) and to prepare for unexpected contingencies that could negatively impact production prospects (e.g. a hotter than average summer, as occurred in 2014, reducing the volume of fluid milk for processing).² Announced ALIC dairy import volumes for JFY 2015 are listed in the table below.

Table 1. JFY 2015 Dairy Import Commitment Volumes (Metric Tons)

	Butter	NFDM	Whey	Butter Oil	Dairy Spread
Current Access Imports					
SBS Tender Volume	1,680	6,000	4,500	200	330
Ordinary Tender Volume	1,120	4,000			
Subtotal	2,800	10,000	4,500	200	330
Additional Imports					
SBS Tender Volume	5,600	0			
Ordinary Tender Volume	4,400	5,000			
Subtotal	10,000	5,000			
Total Import Volume	12,800	15,000	2,500	200	330

The additional import volumes announced by MAFF reflect the continuing supply deficit of fluid milk for processing use as well as the significant public criticism that MAFF suffered this past winter when butter was noticeably absent from grocery store shelves. While MAFF estimates of total butter consumption in JFY 2014 were fairly accurate, the tender timeline was not properly synced with consumption patterns, which, combined with reported hoarding by small businesses, led to the average consumer’s experience of a butter shortage.

Last winter’s negative public reaction was the likely impetus for ALIC creating a new tender category for smaller packages of 1-5 kg in JFY 2015.³ This category is intended to improve wholesale

¹ As a result of the Uruguay Round of GATT/WTO negotiations, Japan is obligated to import 137,200 MT (on a milk equivalent basis) of designated dairy commodities, including: nonfat dry milk, butter, butter oil, dairy spread, whey and modified whey for food use. See the USDA Economic Research Service analysis of [Dairy Policies in Japan](#) for more information.

² Japanese Fiscal Year 2015 is from April 1, 2015 through March 30, 2016.

³ The new tender category specifies two delivery options: bulk butter to be repackaged into 1-5 kg packages at domestic factories after importation; and direct importation of 1-5 kg packages. Typically, ALIC tendered butter is delivered in 10 kg, 15 kg, 20 kg or 25 kg packages.

distribution to the numerous smaller scale bakeries and confectionary shops that were reportedly buying butter from retail shelves last winter. It is notable that this specific tender category was initially created as a 280 MT 'pilot program' within the 2,800 MT JFY 2015 current access butter tenders (announced in January 2015), and then expanded to 2,000 MT (out of the 10,000 MT total) of the additional butter import volume before the 280 MT had even been delivered. In addition, MAFF and ALIC have taken further steps to prevent another consumer butter crisis in JFY 2015, by increasing the frequency of its market supply-demand assessments and by accelerating the delivery timeline for tendered butter to ensure that it arrives well ahead of the peak consumption period (typically October through December).

Japan's Current Access Importation of Designated Dairy Commodities

Table 2. Summary Table for JFY 2011 - 2015

Unit: Metric Ton

Current Access										
	JFY 2011	Milk Equivalent Volume	JFY 2012	Milk Equivalent Volume	JFY 2013	Milk Equivalent Volume	JFY 2014	Milk Equivalent Volume	JFY 2015	Milk Equivalent Volume
Butter	7,459	92,044	7,459	92,044	3,500	43,190	3,000	37,020	2,800	34,552
NFDM	0	0	0	0	8,768	56,817	9,178	59,473	10,000	64,800
Dairy Spread	800	9,872	800	9,872	225	2,777	500	6,170	330	4,072
Butter Oil	300	4,545	300	4,545	242	3,666	250	3,788	200	3,030
Whey/Prepared Whey	4,500	30,780	4,500	30,780	4,500	30,780	4,500	30,780	4,500	30,780
Subtotal		137,241		137,241		137,229		137,231		137,234
Japan's Additional Importation of Designated Dairy Commodities										
	JFY 2011	Milk Equivalent Volume	JFY 2012	Milk Equivalent Volume	JFY 2013	Milk Equivalent Volume	JFY 2014	Milk Equivalent Volume	JFY 2015	Milk Equivalent Volume
Butter	2,000	24,680	2,000	24,680	0	0	10,000	123,400	10,000	123,400
NFDM	0	0	0	0	0	0	10,000	64,800	5,000	32,400
Subtotal	2,000	24,680	2,000	24,680	0	0	20,000	188,200	15,000	155,800
Grand Total		161,921		161,921		137,229		325,431		293,034

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

JFY 2015 NFDM Current Access:

Updated: February 25

Unit: Metric Ton

Date	3-Feb	3-Feb	10-Feb	24-Feb	Total	
Tender Volume	2,000	2,000	3000	3,000	10,000	
Method	Ordinary	Ordinary	SBS	SBS		
Total Bid (Prevailing Demand)	3,195	2,748	11,230	9,641	26,814	
Bid Results	2,000	2,000	3,000	3,000	10,000	
Over-Bid (%)	160%	137%	374%	321%		
To be delivered by	29-May	30-Jun	15-Jul	30-Jul		
By Country						
By Country	3-Feb	3-Feb	10-Feb	24-Feb	YTD Total	Share
New Zealand	702	432	198	997	2,329	23%
Australia	548	518	1,776	424	3,266	33%
The Netherland	0	50	0	0	50	1%
France	0	100	0	0	100	1%
Germany	200	300	300	100	900	9%
Denmark	100	300	0	0	400	4%
Belgium	400	200	175	964	1,739	17%
Estonia	0	100	0	0	100	1%
Finland	50	0	251	374	675	7%
United Kingdom	0	0	0	45	45	0%
United States	0	0	300	96	396	4%
Total	2,000	2,000	3,000	3,000	10,000	100%

Source of Data: Livestock and Agriculture Industry Corporation

JFY 2015 Whey Current Access:

Updated: February 25

Unit: Metric Ton

By Category	I-A	I	II	III	IV	Total	
Total Bid (Prevailing Demand)	0	6,227	0	1,437	0	7,664	
Bid Results	0	2,031	0	469	0	2,500	
Over-Bid (%)	N.A.	307%	N.A.	306%	N.A.	307%	
	I-A	I	II	III	IV	Total	
By Country							Share
New Zealand	0	0	0	50	0	50	2%
Australia	0	100	0	0	0	100	4%
The Netherlands	0	0	0	125	0	125	5%
France	0	652	0	0	0	652	26%
Germany	0	397	0	276	0	673	27%
The United States	0	140	0	18	0	158	6%
Canada	0	25	0	0	0	25	1%
Finland	0	550	0	0	0	550	22%
Spain	0	25	0	0	0	25	1%
Poland	0	42	0	0	0	42	2%
Argentina	0	100	0	0	0	100	4%
Total	0	2,031	0	469	0	2,500	100%

Source of Data: Livestock and Agriculture Industry Corporation

JFY 2015 Butter Current Access

Updated: February 18

Unit: Metric Ton

Date	5-Feb	17-Feb	Total	
Tender Volume	1,120	1,680	2,800	
Method	Ordinary	SBS		
Total Bid (Prevailing Demand)	4,928	8,383	13,311	
Bid Results	1,120	1,680	2,800	
Over-Bid (%)	440%	499%	475%	
To be delivered by	30-Jun	31-Jul		
By Country	5-Feb	17-Feb	Total (Completed)	Share
New Zealand	1,109	289	1,398	50%
Australia	0	0	0	0%
The Netherland	11	718	729	26%
France	0	0	0	0%
Germany	0	600	600	21%
United Kingdom	0	23	23	1%
Argentina	0	50	50	2%
The United States	0	0	0	0%
Belgium	0	0	0	0%
Total	1,120	1,680	2,800	100%

Source of Data: Livestock and Agriculture Industry Corporation