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# GAIN Report

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## Japan

**Post:** Tokyo

### Japan Increases Support for Cheese Industry as Costs Rise

**Report Categories:**

Agricultural Situation

Dairy and Products

Trade Policy Monitoring

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**Report Highlights:**

The Government of Japan introduced new support measures to enhance the competitiveness of domestic cheese producers as Japan prepares to enter into free trade agreements with the European Union and members of the Comprehensive and Progressive Trans-Pacific Partnership. Meanwhile, as Japan seeks to increase the competitiveness of its cheese production, high domestic milk prices have forced at least two Japanese cheese manufacturers to raise prices.

**General Information:**

On February 1, 2018, the Japanese Diet approved a supplementary budget which provided Japan's Ministry of Agriculture, Forestry, and Fisheries (MAFF) with 317 billion Japanese yen (US\$ 2.9 billion) in additional funding for support measures in response to the Japan-European Union (EU) Economic Partnership Agreement (EPA) and the Comprehensive and Progressive Trans-Pacific Partnership (CPTPP<sup>1</sup>). See [JA8009](#) for more information on these support measures.

The budget introduced new measures totaling 15 billion Japanese yen (US\$ 141 million) aimed at supporting domestic production of consumer-oriented natural cheese. Details of these measures are as follows:

1. Measures to strengthen domestic cheese competitiveness (5.95 billion Japanese yen, US\$ 55.87 million)
  - 1) Domestic cheese incentive project: Support a portion of the cost to improve production management systems to enable dairy farmers to produce raw milk with high quality and yield to meet the needs of cheese manufacturers.
  - 2) Productivity improvement of cheese factories: Support production expansion and productivity improvement of cheese manufacturing facilities.
  - 3) Quality improvement and branding of domestic cheese: Support for opening of technical workshops and participation in international training as well as opening of domestic competition events for branding and marketing of domestic cheese.
  - 4) Support for the increase of domestic cheese consumption: Support for activities to incorporate cheese into Japanese food culture and public outreach of cheese promotion.
  
2. Special measures for the enhancement of profitability of livestock and dairy farming (9 billion Japanese yen, US\$ 84.5 million) - Support for "livestock clustering councils" (formed by various scale of dairy industries with cheese production, cheese specialty producers, etc.) to cooperate on cost reduction and quality improvement.

No additional funding has been allocated to these measures in Japan's initial budget for Japanese Fiscal Year (JFY) 2018 (beginning April 1, 2018), however additional funding could be provided in later supplementary budgets.

As Japan seeks to increase the competitiveness of its cheese production, high domestic milk prices have forced Japan's cheese manufacturers to raise prices. In December 2017, the Agricultural Cooperative Association in Hokkaido (aka "Hokuren") announced it would increase the wholesale price of raw milk for cheese manufacturers in JFY 2018 for the second consecutive year. For hard cheese such as Cheddar and Gouda, the raw milk wholesale price increased four yen per kilogram compared to JFY 2017 (5.8 percent). For soft cheese such as Camembert, it increased five yen per kilogram (7.4 percent). Raw milk prices are negotiated every year between "designated operators" (which are designated by MAFF or local government) and cheese manufacturers. As 90 percent of raw milk for domestic dairy production is sourced from Hokkaido, the price indicated by Hokuren is often viewed as an index.

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<sup>1</sup> The CPTPP countries are Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, and Vietnam.

As a result of the increase in raw milk prices, two of Japan's largest dairy product manufacturers announced increases in the price of cheese products beginning May 1, 2018. Megmilk Snow Brand Co., Ltd announced that it would increase the price of its processed cheese products between 5 and 17 percent and natural cheese products 4 to 6 percent. At the same time, it would cut production of natural cheese products by 14 percent. Meanwhile, Morinaga Milk Industry Co. Ltd. raised cheese prices between 3 and 7 percent while cutting production by 14 to 17 percent. For more information about trends in Japan's dairy market see [JA7125](#).

Japan will lower tariffs on imported cheese in both the Japan-EU EPA and CPTPP free trade agreements. Both trade agreements could enter into force as early as 2019. For more information on Japan's dairy tariff concessions in these agreements see [JA8029](#).