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Japan

Dairy and Products Annual

2012 Japan Milk and Dairy Products Market Outlook and 2011 Market Situation Summary

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Report Highlights:

In 2012, Japan's national fluid milk outputs are expected to slightly rebound from the previous year's sizable decrease. The 2012 production outlook for domestic butter and non-fat Dry Milk (NFDM) will improve due to an increase in fluid milk for processing use, especially in Hokkaido. Despite this increase, domestic butter production will not be able to meet potential market demand; therefore purchases of imported butter under the current access are likely to continue in 2012 (estimated up to 14,000 MT). In 2011, the United States entered the top three major cheese suppliers to Japan, following Australia and New Zealand, and will continue to strongly compete in the following year.

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	2010		2011		2012	
	Market Year Begin: Jan 2010		Market Year Begin: Jan 2011		Market Year Begin: Jan 2012	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Cows In Milk	830	825	825	805		815
Cows Milk Production	7,721	7,721	7,550	7,490		7,580
Other Milk Production	0	0	0	0		0
Total Production	7,721	7,721	7,550	7,490		7,580
Other Imports	0	0	0	0		0
Total Imports	0	0	0	0		0
Total Supply	7,721	7,721	7,550	7,490		7,580
Other Exports	0	0	0	0		0
Total Exports	0	0	0	0		0
Fluid Use Dom. Consum.	4,150	4,150	4,030	4,080		4,050
Factory Use Consum.	3,499	3,499	3,450	3,340		3,460
Feed Use Dom. Consum.	72	72	70	70		70
Total Dom. Consumption	7,721	7,721	7,550	7,490		7,580
Total Distribution	7,721	7,721	7,550	7,490		7,580
1000 HEAD, 1000 MT						

Butter PS&D Table

Dairy, Butter Japan	2010		2011		2012	
	Market Year Begin: Jan 2010		Market Year Begin: Jan 2011		Market Year Begin: Jan 2012	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks	30	30	21	21		19
Production	74	74	70	65		70
Other Imports	2	2	13	15		14
Total Imports	2	2	13	15		14
Total Supply	106	106	104	101		103
Other Exports	0	0	0	0		0
Total Exports	0	0	0	0		0
Domestic Consumption	85	85	83	82		84
Total Use	85	85	83	82		84
Ending Stocks	21	21	21	19		19
Total Distribution	106	106	104	101		103
1000 MT						

NFDM PS&D Table

Dairy, Milk, Nonfat Dry Japan	2010		2011		2012	
	Market Year Begin: Jan 2010		Market Year Begin: Jan 2011		Market Year Begin: Jan 2012	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks	58	58	57	57		41
Production	156	156	150	137		150
Other Imports	30	30	30	23		27
Total Imports	30	30	30	23		27
Total Supply	244	244	237	217		218
Other Exports	0	0	0	0		0
Total Exports	0	0	0	0		0
Human Dom. Consumption	162	162	160	157		160
Other Use, Losses	25	25	25	19		23
Total Dom. Consumption	187	187	185	176		183
Total Use	187	187	185	176		183
Ending Stocks	57	57	52	41		35
Total Distribution	244	244	237	217		218
1000 MT						

Cheese PS&D Table

Dairy, Cheese Japan	2010		2011		2012	
	Market Year Begin: Jan 2010		Market Year Begin: Jan 2011		Market Year Begin: Jan 2012	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Beginning Stocks	15	15	15	15		15
Production	48	48	50	48		50
Other Imports	199	199	200	207		215
Total Imports	199	199	200	207		215
Total Supply	262	262	265	270		280
Other Exports	0	0	0	0		0
Total Exports	0	0	0	0		0
Human Dom. Consumption	247	247	250	255		265
Other Use, Losses	0	0	0	0		0
Total Dom. Consumption	247	247	250	255		265
Total Use	247	247	250	255		265
Ending Stocks	15	15	15	15		15
Total Distribution	262	262	265	270		280
1000 MT						

Author Defined:

Preface:

This report is an update to ***JA 1031***, the 2011 Japan Dairy and Products Semiannual (05/18/2011). Post's previous PS&D preliminary projections for 2011 annual outlook has been further revised based on the latest calendar year data (Jan. – Aug.) available for domestic production, stocks, and imports published (preliminarily) by the Government of Japan (GOJ) which reflect slow recovery of domestic fluid milk outputs to date.

The data discussed in this report are on a calendar year basis unless specified otherwise. For convenience sake, Post's reference to Japan's current access for dairy commodities, so called the minimum access, and dairy subsidies is based on the Japanese fiscal year (JFY: Starting April and ending March next year). In the last Uruguay Round Trade Talks, GOJ agreed to the commitment of import purchases for designated dairy commodities through state trade (up to total milk equivalent of 137,000 MT), which include butter, NFDM, edible whey, butter oil, and dairy spread.

The conversion coefficient Post used to calculate milk equivalent volumes for each commodity are: NFDM (6.48), Edible Whey Powder (6.84), Butter (12.34), Dairy Spread (12.34), and Butter Oil (15.05)

2012 Market Outlook for Fluid Milk, NFDM, Butter, and Cheese (New)

- Soft Recovery of National Fluid Milk Outputs Forecast in 2012

Positive signs have appeared in Japan's 2012 national fluid milk supply outlook. National outputs started to trend up in the fourth quarter of 2011 as more cows have reportedly been put into milking. This trend is expected to continue through 2012.

Specifically, regional output in Hokkaido (projected up around two percent) should reverse the previous year's decrease in national fluid milk (projected down three percent) by offsetting declines that are anticipated to occur in other milk producing regions. Therefore, Post projects Japan's 2012 total fluid milk outputs to rise at least one percent to **7.58 million MT level**, but this increase is still two percent lower when compared to 2010.

The slight increase projected for 2012 points to underlying difficulties faced by Japan's dairy sector in trying to reverse the long term decline in national fluid milk production. One driver is the retirement of farmers (an average decline of three to four percent annually) without successors. Aging farmers is a crucial issue affecting Japan's agriculture, livestock, forestry and fisheries in general. Additionally, as dairy farmers outside of Hokkaido are unable to expand, they face high operation costs due to increased prices for feeds/fodder, fuels, and labor.

In the earthquake affected regions, Kanto's regional supply output is expected to fully recover by the beginning of 2012. In the hardest hit Tohoku region (including Fukushima), recovery lags somewhat behind the Kanto region, but will eventually catch up. As production in these two regions recover in 2012, there will be less need for supplemented fluid milk product to be diverted from Hokkaido, which in turn should assure sufficient volumes of fluid milk to remain in that province for processing use (See relevant sections in 2011 Situation Summary and Outlook Update).

- Domestic Butter and NFDM Productions to Recover in 2012

In 2012, overall demand for drinking milk is expected to remain lethargic due to competition with soft drinks and other beverages which has persisted for more than a decade. The utilization for fluid milk for drinking use is projected down by one percent to **4.05 million MT.** This decrease allows for more fluid milk for processing use which is projected to increase by four percent to **3.346 million MT** over last year's level**.**

The above suggests improved supply outlooks for both Japan's 2012 domestic butter and NFDM, which had plummeted in the previous year. Post projects domestic butter output to rise by eight percent to **70,000 MT.** Likewise, domestic NFDM output is projected up by 10 percent to **150,000 MT.** According to industry sources, domestic dairy companies, mainly located in Hokkaido, may be able to build stocks of both commodities during the period of low consumption, typically the first quarter of the year.

- Continued Imports of Butter under the Current Access Likely in 2012

As explained in the 2011 Market Situation Update Section, a shortage in supply contracted Japan's butter market. As Japan's overall demand for butter in 2012 is projected to go up by two percent to 84,000 MT, a tight butter supply is expected to linger into the forecast year.

The lack of supply may require Japan to import approximately **14,000 MT** of butter in 2012 in order to meet demand. Even then, year ending stocks are calculated remain at the low level of the year's beginning stocks of 19,000 MT. As was the case in 2011, it is highly likely that GOJ will need to continue state trade purchases of imported butter in 2012, both by committing to the JFY 2012 current access and also by emergency imports if needed. As industry sources currently predict another good year for fresh cream and its by-product in 2012, the wholesale price of butter is expected to stay relatively high throughout the forecast year.

- NFDM Demand and Supply Roughly to Balance in 2012

Post does not predict any state trade purchases of NFDM to occur during the forecast year. Although beginning stocks for 2012 are substantially low (estimated at 41,000 MT, down 28 percent from the previous year's beginning), the supply and demand situation for NFDM does not yet seem as alarming as butter. Improved domestic production, and use of other alternative ingredients, such as edible whey and liquid condensed skim milk (cream by-products), could curtail any temporary supply short falls. Likewise, the wholesale price of domestic NFDM is expected to stay more or less stable throughout the year.

At present, Japan's total NFDM imports (combined imports for school lunch programs, feed use, and for other edible TRQ imports) are expected to rise. If demand in the NFDM ingredient market for food use were to exceed actual demand (currently projected up by two percent to 160,000 MT), GOJ may purchase additional NFDM under the JFY 2012 current dairy access.

- Continued Growth Likely for Japan's 2012 Cheese Market

Japan's 2012 cheese market will continue its growth from the previous year, based on upbeat household consumption and expanded uses of cheeses in food service, ready-to-eat foods, and snack industries. Post projects a four percent rise in Japan's total demand for cheese to **265,000 MT** for the forecast year**.** Japanese total cheese imports for the year are also projected to rise by the same percentage to **215,000 MT**. If 2012 global cheese prices were to rise higher than the previous year, it may curb prospective imports (mainly from

Oceania and EU countries). The same may also apply for American cheeses, which made tremendous inroads into this market (especially for shredded cheese). Post projects 2012 imports of American cheese to easily clear the previous year's historic record, reaching around **22,000 MT**, a 10 percent increase (See Relevant Section in 2011 Market Situation Summary and Outlook Update).

Post projects domestic natural cheese production to increase by four percent to 50,000 MT. This rise in production, due to the increased availability of fluid milk for processing in the Hokkaido region, is still substantially below annual domestic cheese factory capacities, estimated at around 70,000 – 80,000 MT.

2011 Market Situation Summary and Outlook Update (Revised)

- Lower Number of Cows in Milk Reduced 2011 National Fluid Milk Outputs

The March 2011 earthquake created the following disruptions in Japan's overall fluid production, distribution, and utilization patterns:

1. The earthquake temporarily incapacitated the ability to produce fluid milk in the Tohoku and Kanto regions, which accounted for nearly one quarter of Japan's total national fluid milk output. The large decline in this region (eight percent for January – October), was accompanied by a similar decline in other milk producing regions, other than Hokkaido, of seven percent. In the same period, Hokkaido, Japan's major milk producing state in the Northern Island, also had difficulties in raising its fluid milk output, was and was down by one percent.
2. Production in the Tohoku and Kanto regions was also halted due to a shipment prohibition imposed by GOJ on Fukushima (Tohoku region) and Ibaragi (Kanto region) as a result of cesium detection in fluid milk, which exceeded the permissible limit of 500 Bq/Kg. set for foods. As much as 33,000 MT, valued at JP Yen 3.3 billion, was disposed of until the prohibition was lifted in April.
3. The reduced fluid milk output, along with the slow recoveries in Tohoku and Kanto, created a temporary shortfall in supplies of regular milk and other drinking milk products (including yogurt), especially in highly populated areas, such as Tokyo and other major cities in surrounding prefectures.
4. To meet the gap in the raw milk supply, extra volumes of fluid milk have been diverted, mostly from Hokkaido, since April. This diversion reduced Hokkaido's raw milk for processing use to historically low levels.
5. These shortfalls also created a shortage in the 2011 domestic butter supply, triggering the government-led purchases of imported butter for industrial use through the current access (See relevant section).
6. Entering into the fourth quarter, the situation seemed to be improving and monthly national fluid milk outputs were reportedly recovering, also indicating more availability of fluid milk in Hokkaido for processing use.

Given the above, Post has revised its previous projections for Japan's 2011 national fluid milk outputs, and now estimates a three percent decline from the previous year to around **7.49 million MT**. In addition to supply disruptions caused by the March earthquake, a lower than expected rate of conception and delayed calf deliveries due to last year's extremely hot summer and heat waves are believed to have reduced the number of cows in milk at the beginning of year, leaving the national dairy herd inventory down three percent at 805,000 heads (**See Table 10**).

- Shortage Prevailed in Fluid Milk for Processing Use in 2011

Post projects Japan's 2011 use of fluid milk to remain significantly lower, down two percent for drinking at **4.08 million MT,** and by five percent for processing at **3.34 million MT**, over the previous year**.** Likewise, domestic butter and NFDM productions are projected considerably lower than last year, down by 12 percent for butter at **65,000 MT,** and 12 percent for NFDM at **137,000 MT** from the previous year (**See Table 4).**

- Substantial Butter Imports Made to Cover Domestic Shortage in 2011

Due to the supply shortage which has diminished Japan's butter demand in 2011, Post estimates total consumption down four percent from the previous year at **82,000 MT**. Major dairy companies reportedly have been rationing supplies to their end users in order to sustain sales of domestic brand products, while relying on imports to meet industrial use demands.

With 2011's already low beginning stocks (21,000 MT) and wholesale prices trending upward, the GOJ proactively decided to import butter for industrial use to alleviate concerns of a possible shortage [**See Table 6 and 7].** A series of announcements made by GOJ to commit the dairy current access and enact emergency imports were made up through August, which have amounted to total **13,690 MT** so far**.**

Details are summarized below;

- **4,231 MT** announced in Jan. 2011 as a part of JFY 2010 Current Access (April 2010 – March 30, 2011)
- **4,000 MT** announced in February 2011 as a part of JFY 2011 Current Access (April 2011 – March 2012)
- **3,459 MT** announced in May 2011 as a part of JFY 2011 Current Access (the same as above)
- **2,000 MT** announced in August 2011 for a special emergency purpose, which, is in addition to the Current Access, have already been fully committed for JFY 2011.

One point of interest, American butter has become attractive due to its ability to meet changes in demand and price. Similar to 2008, American butter was put on Japanese bidders' priority lists along with the products from New Zealand and the Netherlands this year (**See Table 8-A and 8-B**). This calendar year's share of American butter under Japan's state trade imports could reach as much as 30 to 40 percent. Meanwhile, the average import price of butter for January to October was 20 percent higher over the same period last year at U.S. 5,599 dollars/MT. The average import price for American butter increased by 26 percent (U.S. 5,534 dollars/MT), with New Zealand and Netherland prices increasing to U.S. 5,144 dollars /MT (up 31 percent) and U.S. 6,135 dollars/MT (up 40 percent) respectively. With two more months remaining in this calendar year, Japan's total butter imports could reach up to around **14,000 - 15,000 MT** when other additional imports are included.

Industry media speculates that in 2011, higher domestic demand for fresh cream, generated by the convenience store dessert industry, intensified this year's butter shortage. To cope with this high demand, Hokkaido producers reportedly decided to redirect fluid milk, already scarce due to diversions to the Kanto and Tohoku regions, to more cream production this year, instead of butter and NFDM production (Note: Japan is self sufficient in cream supply as fresh cream production is strategically promoted by the government/industry as it does not directly compete with imports). For January – September, the output of domestic cream rose by four percent compared to the same period last year (**See Table 3**).

One additional note, due to this year's butter shortage, GOJ, for the first time, decided to waive the volume safeguard (Special Safeguard termed **SSG – see the below note for further explanation**) for butter for this fiscal

year (April 2011 to March 2012) to allow continued imports under this product category (HS 0405 - which includes dairy spread and other milk fat products). GOJ's waiver of the SSG may help promote high end butter imports from the EU and North America for JFY2011.

> *Note:* ***SSG for butter*** *– The SSG's rational is that the GOJ can suspend the safeguard when surging imports are not expected to damage relevant domestic industries, in this case, the domestic dairy farming and industry. The SSG for agriculture products was introduced at the Uruguay Round trade talks as a compensatory measure for importing countries to alleviate negative impacts of import surges in relevant domestic industries. In the case of butter, the SSG is enacted when cumulative monthly imports for a given fiscal year exceed the standard import volume, which is calculated based on the average of preceding three years' import volumes multiplied by 1.25. The SSG, once elected, substantially raises tariffs on butter, from a WTO rate of 29.8 percent plus the secondary tariff of JP Yen 985 per Kg. to a UR bound rate of 39.7 percent plus JP Yen 1,311.33 per Kg.*

- NFDM Supply Experienced a Large Stock Depletion in 2011

Compared to butter, demand for NFDM for ingredient use remained relatively stable despite the drop in domestic production. Japan's ingredient demands for NFDM have also been relatively stable, except for bakery and some confectionary uses. A significant reduction in processed milk production (using NFDM as an ingredient) occurred this year (down 13 percent) that could partially explain the lack of demand (**See Table 3**). Based on the above, annual NFDM demands for food use (not counting imports for feed use) are projected down by three percent from the previous year to around **157,000 MT**. (Note: This may be a temporary phenomenon caused by the 2011 earthquake, as high priority was given nationally to secure fluid milk need for drinking milk and other drinking products, with production of processed milk becoming secondary).

Currently, the day-to-day industry demands for ingredient-use NFDM seem to have been met by stock depletions. Large carryover stocks, estimated at the beginning of the year at 57,000 MT, had decreased to 40,000 MT, approximately three months worth of the annual distribution (**See Table 6**). Although not yet alarming, the domestic NFDM supply situation has also started to tighten, evident in gradual rises in monthly wholesale average prices since June (**See Table 7**).

The decrease in NFDM ingredient demand can also be attributed to increased competition with liquid condensed skim milk (a cream by-product) and imported edible whey. Japan's dairy industry has also promoted expanded use of the above cream-by product as an alternative to NFDM for some drinking milk products and ice desserts such as premium-type ice cream products. In particular, imported WPC (Whey Protein Concentrate) has been in direct competition with NFDM in new applications such as functional foods, snacks, and beverages.

- Solid Demand Sustained for Cheese in 2011

According to 2011 monthly household cheese consumption data, the earthquake appears to have momentarily interrupted sales of cheeses in the retail sector from March through April. After that, monthly household consumption grew upward through October, highlighting the solid demand that exists for cheeses in this market (**See Table 1**). Post revised its previous forecast for Japan's 2011 total cheese consumption and now projects an increase of three percent over the previous year at around **255,000 MT**. Likewise, Japan's total cheese imports

for the year are projected to rise by four percent to **207,000 MT,** based on by relatively solid household consumption and expanded uses of imported cheeses in the food service, confectionary/snacks, and ready-to-eat dishes.

For January – October 2011, Japan's cheese imports (natural and process combined) were up six percent at 173,804 MT over the same period last year. Although Australia and New Zealand continue to be large stakeholders, strong demand for American cheeses helped the United States take third place in total imports for the period (See Table 9-A). Japan's annual imports of American cheese will repeat last year's record and could reach up to the 20,000 MT by the year's end, an impressive 64 percent rise. According to U.S. Dairy Export Council (USDEC), types of American cheese making inroads into this market are mainly Cheddar and Monterey Jack, which are for shredding after imported in bulk, mainly for use in pizzas.

One point of concern in next year's outlook has been the rise in import prices, which for January through October, has almost reached the 2008 high of US 5,137 dollars/MT (See Table 9-B), which caused a contraction in Japan's cheese market. Due to this increase in import prices, along with USDEC's successful promotion efforts, the U.S. share has the potential to grow from four percent in 2008 to 10 percent in this calendar year.

2011's domestic natural cheese production, on the other hand, is projected to be marginally lower/or almost flat at around **48,000 MT,** having been adversely affected by limited availability of fluid milk for cheese manufacturing in Hokkaido. (Note: Roughly 40 percent of the domestically produced natural cheeses are for direct consumption with higher percentage of soft/semi-hard type cheeses.) (Note: The rest is blended with imported natural cheeses under so called "the Zero tariff TRQ category - 69,500 MT allocated for JFY 2011" for manufacturing various types of domestic brand process cheeses).

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

	Milk				Powdered Milk				Butter			
	Expenditure		Quantity (liter)		Expenditure		Quantity (gram)		Expenditure		Quantity (gram)	
09 Jan/Dec	**16,569**	**0%**	**85.05**	**-1%**	**832**	**-4%**	**451**	**-5%**	**841**	**5%**	**484**	**5%**
10 Jan/Dec	**16,322**	**-1%**	**85.41**	**0%**	**717**	**-14%**	**393**	**-13%**	**852**	**1%**	**504**	**4%**
CY 2011	Expenditure		Quantity (liter)		Expenditure		Quantity (gram)		Expenditure		Quantity (gram)	
Jan.	1,161	-7%	6.20	-7%	70	-3%	33	-18%	67	3%	41	17%
Feb.	1,122	-7%	6.03	-5%	60	-6%	26	-28%	87	7%	52	13%
Mar.	1,246	-4%	6.60	-3%	87	38%	46	59%	83	2%	49	2%
Apr.	1,248	-4%	6.37	-3%	50	-2%	27	-10%	70	3%	43	8%
May	1,308	-5%	6.69	-2%	47	-13%	27	-7%	68	-3%	41	-5%
Jun.	1,289	-9%	6.90	-7%	60	25%	25	25%	63	-6%	37	-5%
July	1,421	-3%	7.67	-3%	50	-9%	26	-13%	55	0%	32	-3%
Aug.	1,421	-8%	7.34	-11%	53	0%	27	-10%	65	16%	38	12%
Sept.	1,353	-8%	7.13	-8%	62	15%	35	35%	67	3%	38	-3%
Oct.	1,350	-3%	6.81	-8%	59	-5%	33	-15%	74	-6%	42	-13%
2010 Jan/Oct	**13,705**		**71.93**		**576**		**309**		**687**		**405**	
2011 Jan/Oct	**12,919**	**-6%**	**67.74**	**-6%**	**598**	**4%**	**305**	**-1%**	**699**	**2%**	**413**	**2%**
Source: Ministry of Internal Affairs and Communication Bureau												

	Cheese				Margarine				Toast Bread			
	Expenditure		Quantity (liter)		Expenditure		Quantity (gram)		Expenditure		Quantity (gram)	
09 Jan/Dec	**4,001**	**9%**	**2,395**	**6%**	**963**	**11%**	**1,387**	**-3%**	**8,927**	**0%**	**19,911**	**2%**
10 Jan/Dec	**4,080**	**2%**	**2,588**	**8%**	**874**	**-9%**	**1,259**	**-9%**	**8,572**	**-4%**	**19,956**	**0%**
CY 2011	Expenditure		Quantity (liter)		Expenditure		Quantity (gram)		Expenditure		Quantity (gram)	
Jan.	319	0%	214	5%	66	-10%	93	-10%	666	-3%	1,526	-4%
Feb.	332	1%	207	-4%	71	-5%	104	-5%	681	-3%	1,553	-4%
Mar.	336	-8%	221	-3%	82	-7%	122	-7%	785	0%	1,771	-4%
Apr.	337	-2%	214	-1%	78	3%	105	5%	770	0%	1,692	-5%
May	360	6%	231	9%	76	-6%	107	-4%	757	-3%	1,714	-4%
Jun.	337	5%	205	1%	70	-1%	95	-12%	716	-3%	1,661	-1%
July	323	8%	205	8%	68	5%	101	11%	691	-3%	1,581	-7%
Aug.	327	9%	211	7%	69	6%	101	7%	695	5%	1,567	1%
Sept.	345	6%	226	10%	71	6%	110	10%	690	3%	1,557	-4%
Oct.	353	0%	236	5%	76	6%	104	-4%	733	3%	1,678	0%
2010 Jan/Oct	**3,296**		**1,664**		**594**		**848**		**5,833**		**13,540**	
2011 Jan/Oct	**3,369**	**2%**	**1,708**	**3%**	**580**	**-2%**	**828**	**-2%**	**5,761**	**-1%**	**13,065**	**-4%**
Source: Ministry of Internal Affairs and Communication Bureau												

	Yogurt		Confectionaries		Milk Beverages		Bacterial Acid Drinks	
	Expenditure		Expenditure		Expenditure		Expenditure	
09 Jan/Dec	**8,138**	**4%**	**80,403**	**2%**	**1,200**		**3,239**	
10 Jan/Dec	**8,446**	**4%**	**78,861**	**-2%**	**1,229**	**2%**	**3,381**	**4%**
CY 2011	Expenditure		Expenditure		Expenditure		Expenditure	
Jan.	648	8%	6,078	-5%	97	15%	223	-2%
Feb.	662	9%	6,252	-2%	87	4%	234	4%
Mar.	661	-7%	6,634	-8%	100	14%	262	-1%
Apr.	693	-5%	6,220	0%	96	3%	258	1%
May	783	3%	6,570	-2%	103	-5%	269	1%
Jun.	771	1%	5,663	-4%	112	-1%	305	7%
July	779	3%	6,333	-1%	118	4%	349	1%
Aug.	757	4%	7,250	-4%	124	5%	329	-1%
Sept.	756	2%	5,782	0%	112	4%	289	-8%

Oct.	761	5%	5,835	-2%	117	6%	301	-1%
2010 Jan/Oct	**7,108**		**64,552**		**1,020**		**2,820**	
2011 Jan/Oct	**7,271**	**2%**	**62,617**	**-3%**	**1,066**	**5%**	**2,819**	**0%**
Source: Ministry of Internal Affairs and Communication Bureau								

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

	Unit Subsidy Payment		**Eligible Volume**
	Yen/Kg.	**Type**	**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
Source: ALIC Monthly			

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

Unit: 1,000 Kilo Liters

	2008	2009	2010	% Chg.	2010	2011	% Chg.
	Jan/Dec	Jan/Dec	Jan/Dec	Jan/Dec	Jan/Sept	Jan/Sept	
Total Drinking Milk Products	3,951	3,804	3747	-2%	2,811	2737	-3%
Regular Milk	3,509	3,180	3,069	-3%	2,297	2,289	0%
Processed Milk	442	625	678	9%	514	449	-13%
Milk Beverages	1,241	1,180	1,210	3%	914	958	5%
Fermented Milk	813	821	841	2%	638	630	-1%
Lactic Acid Bacteria Drinks	179	199	184	-7%	144	138	-4%

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/ALIC Monthly

Table 4: Japanese Production of Dairy Commodities

Unit: Metric Ton

	2008	2009	2010	% Chg.	2010	2011	% Chg.
	Jan/Dec	Jan/Dec	Jan/Dec	Jan/Dec	Jan/Sept	Jan/Sept	
Butter	71,698	80,998	73,621	-9%	58,715	48,651	-17%
Cream	107,535	104,898	107,441	2%	76,603	79,963	4%
Whole Milk Powder	13,543	12,565	13,250	5%	10,291	11,605	13%
Prepared Milk Powder	30,197	34,914	32,942	-6%	24,558	22,914	-7%
Skim Milk Powder (NFDM)	158,179	167,256	155,625	-7%	120,666	102,920	-15%
Ice Cream (Unit: kilo liter)	126,179	128,614	130,589	2%	100,597	104,009	3%
Source: MAFF/ALIC Monthly							

Table 5: Japanese Imports of Non Fat Dry Milk

Unit: Metric Ton

	2008	2009	2010	% Chg.	2010	2011	% Chg.

	Jan/Dec	Jan/Dec	Jan/Dec	Jan/Dec	Jan/Sept	Jan/Sept	
For School Lunch Program	2,258	2,109	1,983	-6%	1,512	1,458	-4%
For Feeds	27,028	22,143	24,909	12%	18,501	16,501	-11%
For Other Use (TRQ, current access and others)	2,940	10,082	3,292	-67%	2,612	2,528	-3%
Total NFDM Imports	32,226	34,333	30,184	-12%	22,625	20,487	-9%
Source: ALIC Monthly							

Table 6: Monthly Ending Stocks of Butter and NFDM

Unit: 1,000 Metric Ton

Butter									
	2007	2008	% Chg.	2009	% Chg.	2010	% Chg.	2011	% Chg.
Jan	24.1	19.7	-18%	25.4	29%	32.6	29%	22.6	-31%
Feb	23.6	19.4	-18%	26.7	38%	32.8	23%	21.1	-36%
Mar	23.2	19.4	-16%	28.1	45%	32.6	16%	20.6	-37%
Apr	23.1	19.9	-14%	29.6	49%	32.5	10%	21.3	-34%
May	23.8	21.2	-11%	32.3	52%	34.1	6%	22.8	-33%
Jun	24.4	21.1	-13%	33.8	59%	34.5	2%	22.7	-34%
July	23.7	20.7	-13%	34.0	64%	33.9	0%	21.8	-36%
Aug	23.6	22.9	-3%	35.0	53%	33.1	-6%	23.0	-31%
Sept	20.3	22.4	10%	34.3	53%	30.0	-12%	21.8	-27%
Oct	18.8	21.9	17%	32.9	50%	27.3	-17%	20.3	-26%
Nov	16.4	22.3	36%	31.3	40%	24.4	-22%		
Dec	15.8	22.5	42%	29.6	32%	21.0	-29%		
NFDM									
	2007	2008	% Chg.	2009	% Chg.	2010	% Chg.	2011	% Chg.
Jan	68.8	41.5	-40%	36.1	-13%	65.1	80%	60.7	-7%
Feb	69.2	42.6	-38%	38.7	-9%	67.7	75%	60.6	-10%
Mar	68.3	42.8	-37%	43.1	1%	69.7	62%	58.7	-16%
Apr	68.9	43.4	-37%	49.5	14%	71.8	45%	58.2	-19%
May	69.1	43.3	-37%	55.1	27%	74.8	36%	58.2	-22%
Jun	65.3	42.1	-36%	55.8	33%	74.5	34%	54.7	-27%
July	59.7	38.4	-36%	54.5	42%	71.3	31%	50.3	-29%
Aug	53.9	35.0	-35%	55.0	57%	68.6	25%	47.1	-31%
Sept	46.0	29.9	-35%	53.6	79%	61.4	15%	42.9	-30%
Oct	40.3	27.6	-32%	52.9	92%	57.6	9%	40.4	-30%
Nov	36.7	27.2	-26%	53.8	98%	56.3	5%		
Dec	38.1	30.5	-20%	58.3	91%	57.4	-2%		
Source: ALIC Monthly									

Table 7: Average Wholesale Price of Dairy Products for Bulk Users

Unit: Yen per Kg.

Butter							
	2008	2009	% Chg.	2010	% Chg.	2011	% Chg.
Jan	984	1,164	18%	1,081	-7%	1,062	-2%
Feb	995	1,176	18%	1,073	-9%	1,057	-1%
Mar	1,016	1,177	16%	1,074	-9%	1,065	-1%
Apr	1,060	1,178	11%	1,060	-10%	1,069	1%
May	1,074	1,173	9%	1,057	-10%	1,077	2%
Jun	1,091	1,158	6%	1,051	-9%	1,087	3%
July	1,124	1,164	4%	1,049	-10%	1,094	4%
Aug	1,136	1,131	0%	1,049	-7%	1,110	6%
Sept	1,143	1,114	-3%	1,050	-6%	1,120	7%
Oct	1,154	1,102	-5%	1,050	-5%	1,129	8%
Nov	1,162	1,085	-7%	1,050	-3%		
Dec	1,163	1,086	-7%	1,051	-3%		

						Unit: Yen 25 per Kg.	
NFDM							
	2008	2009	% Chg.	2010	% Chg.	2011	% Chg.
Jan	13,300	14,994	13%	14,981	0%	14,564	-3%
Feb	13,327	15,033	13%	14,955	-1%	14,512	-3%
Mar	13,505	15,160	12%	14,957	-1%	14,515	-3%
Apr	14,096	15,226	8%	14,922	-2%	14,584	-2%
May	14,311	15,254	7%	14,884	-2%	14,641	-2%
Jun	14,646	15,241	4%	14,751	-3%	14,701	0%
July	14,697	15,172	3%	14,656	-3%	14,736	1%
Aug	14,769	15,030	2%	14,610	-3%	14,864	2%
Sept	14,831	14,949	1%	14,593	-2%	14,987	3%
Oct	14,951	14,943	0%	14,568	-3%	15,085	4%
Nov	14,953	14,931	0%	14,571	-2%		
Dec	14,982	15,005	0%	14,574	-3%		
Source: ALIC Monthly							

Table 8-A: Japanese Imports of Butter

Annual Series: 2006 - 2010, Year To Date: 10/2010 & 10/2011 Quantity (Metric Ton/Customs Clearance Basis)											
Partner Country	**Unit**	**Calendar Year**							**Year To Date**		
		2006	**2007**	**2008**	**2009**	**2010**	**10/09 % Chg.**	**2010 Share**	**10/2010**	**10/2011**	**%Chg.**
World	**MT**	**3,914**	**11,384**	**18,153**	**333**	**2,032**	**510%**	**100%**	**1,866**	**12,798**	**586%**
Netherlands	MT	1,730	6,152	2,412	0	860	n/a	42%	860	1,788	108%
New Zealand	MT	312	144	3,149	143	474	231%	23%	457	4,421	867%
Australia	MT	1,217	2,002	4,080	87	269	209%	13%	162	646	299%
United States	**MT**	**6**	**5**	**7,062**	**26**	**173**	**565%**	**9%**	**149**	**5,014**	**3265%**
France	MT	96	139	241	70	136	94%	7%	119	222	87%
Germany	MT	100	1,720	613	2	111	5450%	5%	111	702	532%
Others	MT	453	1,222	596	5	9	80%	0%	8	5	-38%
Source: Global Trade Atlas (Japan Customs)											

Table 8-B: Average C&F Price of Imported Butter

Annual Series: 2006 - 2010, Year To Date: 10/2010 & 10/2011 Unit Value(United States Dollars)										
Partner Country	**Unit**	**Calendar Year**						**Year To Date**		
		2006	**2007**	**2008**	**2009**	**2010**	**10/09 % Chg.**	**10/2010**	**10/2011**	**%Change**
World	**per MT**	**2,863**	**3,724**	**4,192**	**6,199**	**4,766**	**-23%**	**4,674**	**5,599**	**20%**
Italy	per MT	16,800	73,131	42,530	17,564	14,940	-15%	14,804	21,872	48%
France	per MT	10,986	11,649	10,175	15,556	10,660	-31%	10,145	9,743	-4%
Belgium	per MT	2,811	2,676	8,580	0	7,304	n/a	7,304	0	n/a
Denmark	per MT	2,665	3,778	4,519	5,675	5,770	2%	5,770	6,884	19%
Australia	per MT	2,623	2,985	3,992	4,914	4,825	-2%	4,674	5,430	16%
Netherlands	per MT	2,727	3,786	4,813	0	4,384	n/a	4,384	6,135	40%
United States	**per MT**	**5,411**	**5,543**	**3,797**	**5,162**	**4,351**	**-16%**	**4,401**	**5,534**	**26%**
Germany	per MT	2,695	4,116	4,940	16,605	4,276	-74%	4,276	6,379	49%
New Zealand	per MT	2,279	2,336	4,191	2,443	3,941	61%	3,925	5,144	31%
Source: Global Trade Atlas (Japan Customs)										

Table 9-A: Japanese Imports of Cheese YTD

Annual Series: 2006 - 2010, Year To Date: 10/2010 & 10/2011 Quantity (Metric Ton/Customs Clearance Basis)											
Partner Country	**Unit**	**Calendar Year**							**Year To Date**		
		2006	**2007**	**2008**	**2009**	**2010**	**10/09 % Chg.**	**2010 Share**	**10/2010**	**10/2011**	**%Change**
World	**MT**	**207,420**	**225,081**	**186,503**	**184,242**	**199,080**	**8%**	**100%**	**163,276**	**173,804**	**6%**

Australia	MT	87,643	97,029	87,487	84,059	85,120	1%	43%	69,691	72,364	4%
New Zealand	MT	57,304	65,259	50,630	49,751	52,098	5%	26%	42,454	45,723	8%
United States	**MT**	**4,904**	**6,834**	**7,339**	**6,885**	**13,672**	**99%**	**7%**	**10,626**	**17,451**	**64%**
Germany	MT	11,402	10,881	9,015	10,185	11,203	10%	6%	9,832	7,381	-25%
France	MT	8,020	7,521	7,051	7,141	8,150	14%	4%	6,795	7,343	8%
Denmark	MT	9,836	9,192	7,783	8,156	7,769	-5%	4%	6,432	6,871	7%
Netherlands	MT	8,487	7,663	5,656	5,626	6,605	17%	3%	5,522	5,212	-6%
Italy	MT	5,661	6,495	5,535	5,915	6,241	6%	3%	5,175	5,236	1%
Argentina	MT	5,084	8,885	3,768	4,239	4,248	0%	2%	3,594	3,240	-10%
Others	MT	9,079	5,322	2,239	2,285	3,974	74%	2%	3,155	2,983	-5%

Source: Global Trade Atlas (Japan Customs)

Table 9-B: Average C&F Price of Imported Cheeses

Annual Series: 2006 - 2010, Year To Date: 10/2010 & 10/2011
Unit Value(United States Dollars)

Partner Country	Unit	Calendar Year					Year To Date		
		2006	2007	2008	2009	2010	10/2010	10/2011	%Change
World	**Per MT**	**3,484**	**3,739**	**5,388**	**4,414**	**4,712**	**4,659**	**5,137**	**10%**
Italy	Per MT	8,877	9,822	11,531	10,219	10,159	9,992	11,677	17%
France	Per MT	7,302	7,671	9,257	9,371	9,617	9,401	9,908	5%
Denmark	Per MT	4,740	5,223	7,032	6,347	6,583	6,571	7,254	10%
United States	**Per MT**	**6,914**	**6,338**	**7,297**	**7,129**	**5,549**	**5,616**	**5,190**	**-8%**
Netherlands	Per MT	3,772	4,265	5,789	4,416	4,424	4,286	5,223	22%
New Zealand	Per MT	2,848	3,125	4,849	3,746	4,179	4,118	4,493	9%
Australia	Per MT	2,898	3,099	4,675	3,649	4,012	3,978	4,409	11%
Germany	Per MT	3,146	3,681	4,939	3,703	3,826	3,755	4,595	22%
Ireland	Per MT	2,928	3,314	5,033	4,561	3,732	3,625	4,398	21%
Argentina	Per MT	2,829	2,962	4,747	3,137	3,663	3,606	4,208	17%

Source: Global Trade Atlas (Japan Customs)

Table 10: Japanese Dairy Herd Inventory

	Total Number of Dairy Farms		Total Number of Dairy Herd (Total Cow + Heifer)		Total Cow (A) + (B)		Cows in Milk (A)		Cows in Dry (B)		Replacement Heifers	
	farms	% Chg.	1,000 heads	% Chg.	1,000 heads	% Chg.	1,000 heads	% Chg.	1,000 heads	% Chg.	1,000 heads	% Chg.
Feb.1995	**44,300**	-6.9%	**1,951**	-3.3%	1,213	-2.7%	1,034	-1.7%	179	-8.1%	739	-4.3%
Feb.1996	**41,600**	-6.1%	**1,927**	-1.2%	1,211	-0.2%	1,035	0.1%	176	-1.6%	717	-3.0%
Feb.1997	**39,400**	-5.3%	**1,899**	-1.5%	1,205	-0.5%	1,032	-0.3%	173	-1.8%	694	-3.2%
Feb.1998	**37,400**	-5.1%	**1,860**	-2.1%	1,190	-1.2%	1,022	-1.0%	168	-2.6%	670	-3.5%
Feb.1999	**35,400**	-5.3%	**1,816**	-2.4%	1,171	-1.6%	1,008	-1.4%	164	-2.7%	645	-3.7%
Feb.2000	**33,600**	-5.1%	**1,764**	-2.9%	1,150	-1.8%	992	-1.6%	158	-3.4%	615	-4.7%
Feb.2001	**32,200**	-4.2%	**1,725**	-2.2%	1,124	-2.3%	971	-2.1%	153	-3.0%	601	-2.2%
Feb.2002	**31,000**	-3.7%	**1,726**	0.1%	1,126	0.2%	966	-0.5%	160	4.7%	599	-0.2%
Feb.2003	**29,800**	-3.9%	**1,719**	-0.4%	1,120	-0.5%	964	-0.2%	156	-2.7%	599	-0.1%
Feb.2004	**28,800**	-3.4%	**1,690**	-1.7%	1,088	-2.9%	936	-2.9%	152	-2.6%	603	0.7%
Feb.2005	**27,700**	-3.8%	**1,655**	-2.1%	1,055	-3.0%	910	-2.7%	145	-4.7%	600	-0.4%
Feb.2006	**26,600**	-4.0%	**1,635**	-1.2%	1,046	-0.9%	900	-1.1%	146	0.8%	589	-1.8%
Feb.2007	**25,400**	-4.5%	**1,592**	-2.6%	1,011	-3.3%	871	-3.2%	140	-4.1%	581	-1.4%
Feb.2008	**24,400**	-3.9%	**1,533**	-3.7%	998	-1.3%	862	-1.1%	137	-2.4%	535	-8.0%
Feb.2009	**23,100**	-5.3%	**1,500**	-2.2%	985	-1.3%	848	-1.6%	137	0.4%	515	-3.7%
Feb.2010	**21,900**	-5.2%	**1,484**	-1.1%	964	-2.2%	830	-2.1%	134	-2.3%	520	1.0%
Feb.2011	**21,000**	-4.1%	**1,467**	-1.1%	932	-3.3%	805	-3.0%	128	-4.3%	534	2.8%

Source: Livestock Statistics, MAFF