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Production Disruptions Trigger Record Butter Imports

Report Categories:

Agricultural Situation

Agriculture in the News

Dairy and Products

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Report Highlights:

On September 28, 2016, the Japanese Government announced it will import another 4,000 metric tons of butter, which would bring total Japanese fiscal year 2016 butter imports to a record high of 17,000 metric tons. Japan has imported additional butter above its current access commitments in five out of the last six years. Domestic and international media widely reported on Japanese butter shortages during the peak winter baking season in 2014 and 2015. The additional imports announced on September 28 should ensure sufficient supplies through March 2017.

Keywords: JA6031, Japan, Butter, Shortage

General Information:

At a press briefing on September 28, 2016, the Ministry of Agriculture, Forestry, and Fisheries (MAFF) Milk and Milk Products Division announced that it will import an additional 4,000 metric tons (MT) of butter in Japanese fiscal year (JFY) 2016.¹ The 4,000 MT would be tendered in October 2016 for delivery in late 2016 / early 2017, ahead of increased demand associated with Valentine's Day in February and White Day in March.² Earlier in JFY 2016, Japan announced that it would import 7,000 MT of butter as part of its current access importation of designated dairy commodities.³ In May 2016, MAFF announced additional butter imports of 6,000 MT on top of the scheduled JFY 2016 current access volumes.

MAFF also announced projected month-ending butter stocks for November 2016 of 25,600 MT, 27 percent higher than 2015 levels. MAFF-projected November ending stocks would represent more than three months of peak domestic utilization on hand heading into December 2016, as the highest-ever December consumption level over the last five years was 8,700 MT. The Government of Japan has been criticized over highly publicized butter 'shortages' in the peak November-December baking season during the last two years. Media images of empty retail shelves have increased incentives for the Government to ensure there are sufficient supplies in 2016.

Hokkaido is the largest dairy producing prefecture in Japan and the heart of Japan's dairy processing industry. Despite a three percent year-on-year increase in Hokkaido's fluid milk production from January - August 2016, the latest MAFF forecast incorporates anticipated negative impacts on Hokkaido production through JFY 2016 driven by hot/humid summer weather and an unprecedented string of four typhoons that delivered torrential rains over much of Hokkaido in August and September 2016 (see Table 2). Disruptions in electricity and water services as well as flood-related damages (damage to forage crops, flooding in cow sheds, and deteriorating animal health due to stress and disrupted milking cycles) could all negatively impact Japanese dairy, including butter, production through the end of the JFY 2016. The latest MAFF forecast for JFY 2016 projects total domestic butter production to fall three percent to 643,000 MT, and total consumption to increase 6 percent from the previous fiscal year to 794,000 MT.⁴

¹ Japanese fiscal year 2016 spans from April 1, 2016 through March 31, 2017.

² On White Day, men are expected to give gifts (like chocolate) to women who gave them gifts on Valentine's Day.

³ In the Uruguay Round, the GOJ committed to import purchases for designated dairy commodities of up to 137,000 metric tons (MT) in milk equivalent calculation, including butter, NFD, edible whey, butter oil, and dairy spreads. The GOJ purchases these products through the Agriculture Livestock and Industry Corporation (ALIC), a state trading enterprise.

⁴ This forecast (see Table 2) was issued at the time of the September 28 announcement; the forecast factors the adverse weather conditions discussed above into production JFY 2016 estimates.

Table 1: Japan's Current Access and Additional Importation of Designated Dairy Commodities

Current Access Importation						
	JFY 2011	Milk Equivalent Volume	JFY 2012	Milk Equivalent Volume	JFY 2013	
Butter	7,459	92,044	7,459	92,044	3,500	
NFDM	0	0	0	0	8,768	
Dairy Spread	800	9,872	800	9,872	225	
Butter Oil	300	4,545	300	4,545	242	
Whey / Prepared Whey	4,500	30,780	4,500	30,780	4,500	
Subtotal		137,241		137,241		
Japan's Additional Importation of Designated Dairy Commodities						
	JFY 2011	Milk Equivalent Volume	JFY 2012	Milk Equivalent Volume	JFY 2013	Eq V
Butter	2,000	24,680	2,000	24,680	0	
NFDM	0	0	0	0	0	
Subtotal	2,000	24,680	2,000	24,680	0	
Grand Total		161,921		161,921		1

Source: Agriculture and Livestock Industry Corporation

*Additional imports of 6,000 MT announced in May 2016 and of 4,000 MT announced on September 27, 2016.

Milk Equivalent Conversion Coefficient:

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

Table 2: JFY 2016 Demand and Supply Outlook for Butter and NFDM

Unit: Metric Ton

		JFY 2014	(% Chg.)	JFY 2015	(% Chg.)	JFY 2016 (Forecast)*	(% Chg.)
Fluid Milk Production National		7,331,000	(-1.6%)	7,407,000	(+1.0%)	7,316,000	(-1.2%)
Hokkaido		3,820,000	(-0.7%)	3,900,000	(+2.1%)	3,901,000	(+0.0%)
Butter	Production	617,000	(-4.1%)	663,000	(+7.5%)	643,000	(-3.0%)
	Imports	12,900	(+271.3%)	12,700	(-1.6%)	13,000**	(+2.4%)
	Consumption	741,000	(+0.2%)	748,000	(+1.0%)	794,000	(+6.1%)
	Stocks	17,800	(+3.0%)	22,100	(+23.6%)	20,000	(-9.5%)
Non Fat Dry Milk	Production	129,000	(-6.1%)	130,200	(+7.7%)	121,800	(-6.5%)
	Imports	22,400	(+350.6%)	15,200	(-32.1%)	4,000	(-73.7%)
	Consumption	137,000	(-4.2%)	135,500	(-1.1%)	141,800	(+4.6%)
	Stocks	46,500	(+15.6%)	56,400	(+21.2%)	40,400	(-28.4%)

Source: Ministry of Agriculture, Forestry and Fisheries (MAFF)

*Impacts of hot weather and typhoons are factored into JFY 2016 forecasts.

** JFY 2016 fiscal year ending butter stocks will be at 24,000 MT by an additional importation of butter announced on September 27, 2016 on 13,000 MT imported/being imported.