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Dairy Industry Announces Calf Import Subsidy

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Agricultural Situation

Dairy and Products

Livestock and Products

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Report Highlights:

J-Milk announced a three-year, \$1.4 million program to reduce the cost of imported replacement dairy cattle. Sharp increases in Japanese beef feeder calf prices since 2013 have expanded utilization of Wagyu genetics in Japanese dairy breeding programs, contributing to a seven percent year-on-year decline in the national stock of heifers less than two years of age in 2016 (see FAS/Tokyo's October 2016 [Dairy and Products Annual Report JA6045](#)). Average live cattle auction prices for first-bred heifers in Japan's largest dairy producing region have risen 60 percent over the last twenty-four months.

Keywords: JA7055, Japan, Dairy, Cattle

Overview

In response to skyrocketing prices for replacement heifers across Japan, J-Milk (previously known as the Japan Dairy Association) announced a 150 million yen (roughly \$1.4 million) program to reduce the purchase price for imported replacement dairy cattle through 2019.

J-Milk anticipates program funds supporting the importation of 1,000, primarily Holstein, cattle from Australia in 2017, including an estimated 600 heifers and 400 first-bred heifers. The current estimated delivery price for a first-bred heifer, upon arrival by air freight at a Japanese quarantine station, is between 750,000 – 800,000 yen (or \$6,800 – \$7,300). The J-Milk program will underwrite 150,000 yen, or about \$1,400, of the total cost per head of imported replacement dairy cattle. Japan currently imports approximately 10,000 live cattle (both beef and dairy breeds) from Australia each year. As a result of the detection of BSE in the United States in 2003, the Japanese market for U.S. live cattle remains closed.

Program Details

In addition to satisfying other eligibility criteria, dairy farmers applying for the subsidy will be required to have at least five years of dairy farming experience, to increase utilization of artificial insemination with Holstein semen (rather than Wagyu semen), and to calve imported replacement cattle at least three times. Program beneficiaries will be eligible to import up to ten head of cattle per farm. Funded by J-Milk member contributions, JA Zennoh (National Federation of Agricultural Cooperative Associations) and Zenrakuren (National Federation of Dairy Farmer Cooperatives) will manage the program budget on behalf of J-Milk. Trading firms with experience in importing breeding animals will be contracted to execute the importation.

Background

Strong domestic demand for Japanese beef coupled with a government-supported push to increase exports of Japanese beef have driven Wagyu and F-1 beef prices significantly higher since 2014 (see FAS/Tokyo's [February 2017 Livestock and Products Semi-annual Report JA7011](#)). As the Japanese beef cow-calf industry continues to contract, primarily due to aging farmers retiring without successors, beef feeder cattle prices have risen between 80 and 120 percent across major beef breeds over the last five years (see [JA7044](#)). This rapid increase in prices has led dairy farmers to increase utilization of Wagyu genetics to produce valuable F-1 offspring for beef production, reducing the annual Holstein calf crop and driving live auction prices for replacement dairy cattle higher across Japan (see [JA6045](#)). According to industry sources, the shortage of replacement heifers has been particularly acute in dairy producing areas outside of Hokkaido, where milk production has declined by nearly 30 percent over the last twenty years. In Hokkaido, where milk output has risen by 12 percent over that same timespan, a first-bred heifer sold for more than \$15,000 at auction in February.

[J-Milk](#) represents dairy farmers, dairy cooperatives, dairy processors and milk retailers in their efforts to promote dairy consumption and to maintain a stable supply of domestic milk and milk products. In 2013, the Japan Dairy Association was re-instituted as “J-Milk” following domestic reforms, though the composition and mission of the organization remain the same. The Japan Dairy Association was comprised of the National Dairy Promotion and Research Association, the National Council of School Milk Supply and the National Dairy Intelligence Center Japan.