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Japan Announces Record Non-Fat Dry Milk Imports

Report Categories:

Agricultural Situation

Dairy and Products

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Report Highlights:

On May 25, 2017, the Ministry of Agriculture, Forestry and Fisheries (MAFF) announced its intention to import up to 21,000 metric tons (MT) more of non-fat dry milk (NFDM) through March 2018. The volume announced on May 25 would be in addition to the 13,000 MT of NFDM imports announced on January 27, 2017. Lower milk production in Hokkaido, increased demand for drinking milk, sufficient butter stocks, and steady demand for yogurt contributed to MAFF's decision. MAFF's ability to import up to 34,000 MT of NFDM this fiscal year should alleviate the Japanese dairy product industry's concerns regarding a possible NFDM shortage.

Keywords: Japan, JA7082, Dairy, NFDM

On May 30, 2017, the Agriculture and Livestock Industries Corporation (ALIC) announced the tendering schedule for 12,000 MT of the 21,000 MT of additional NFDM imports announced the week before. As of June 1, 2017, ALIC has committed to tendering for 25,000 MT of NFDM in Japanese Fiscal Year (JFY) 2017, ending March 31, 2018. Tenders for the 13,000 MT of NFDM [announced in January 2017](#) under Japan's annual Current Access commitment were overbid by 350 percent, a solid indication of the strength of Japanese demand for NFDM (see Table 4).

In [JA6031](#) and in the [October 19, 2016 Dairy and Products Annual Report](#), FAS/Tokyo anticipated that a particularly hot, humid Summer and an uncharacteristic series of four typhoons over August and September 2016 could reduce total fluid milk production in Hokkaido, which produces over half of all fluid milk and nearly 90 percent of all milk used for processing in Japan. Data through the end of March 2017 show Hokkaido milk production falling over the last two quarters year-on-year (see Table 1). During May 2017 travel to the Tokachi region, home to the five largest dairy farms in Hokkaido, FAS/Tokyo observed ongoing reconstruction of bridges and roads and FAS/Tokyo heard from dairy farmers about how damage to pastures as well as forage and silage crops has continued to affect production.

Milk production outside of Hokkaido, almost exclusively used for drinking, has continued to fall over the last year. A recent uptick in the national consumption of drinking milk has increased demand for and shipments of drinking milk from Hokkaido to the rest of Japan. Falling total milk production and increased allocations of Hokkaido milk production to drinking milk has reduced available supplies of milk for processing into NFDM and other products (see Table 1).

Following three years of highly publicized butter shortages, [MAFF took extraordinary measures in JFY 2016](#), importing nearly one quarter of total domestic butter distribution over that period to ensure sufficient supplies through Japan's peak winter baking and confectionary producing seasons. With relatively flat butter consumption and substantial butter imports, stocks on hand have steadily accumulated over the last two years, driving Japan's 2017 calendar year-beginning butter stocks 32 percent higher year-on-year (see Table 2). Further indication of current stability in the Japanese butter market can be seen in the fill rates of JFY 2017 butter tenders, of which over 70 percent of the total volume has gone unfilled.

In stark contrast to butter, last year ALIC tendered for less than three percent of JFY 2016 NFDM distribution. Healthy consumer demand for yogurt in 2016, combined with the recent drop off in butter and NFDM production, contributed to an 18 percent year-on-year decline in NFDM stocks at the end of March 2017. As a result, JFY 2017 NFDM tenders have been significantly overbid, with buyers seeking several times as much volume as ALIC has offered (see Table 4).

MAFF and ALIC periodically review the supply and demand situation for designated dairy commodities to ensure a stable supply–demand balance. At the May 2017 meeting, the Government of Japan concluded that NFDM stocks on hand, prevailing utilization rates and forecast production could contribute to a significant NFDM supply shortage before March 2018. By announcing the option to import up to 34,000 MT of NFDM over the next ten months, equivalent to 25 percent of total JFY 2016 distribution, the Government of Japan's intervention appears to provide sufficient stability and predictability in the market over the near term.

Table 1. Japanese Fluid Milk Production and Allocation

Unit: Metric Ton

	Fluid Milk Production						Fluid Milk Allocation			
	Hokkaido		Other Prefectures		Total		For Drinking		For Dairy Products	
	Volume	% change	Volume	% change	Volume	% change	Volume	% change	Volume	% change
2015										
1st Qtr	950,467		888,028		1,838,495		931,662		892,115	
2nd Qtr	981,689		916,924		1,898,613		1,018,802		865,883	
3rd Qtr	976,613		853,484		1,830,097		998,846		817,229	
4th Qtr	959,385		852,644		1,812,029		983,546		814,610	
Total	3,868,154		3,511,080		7,379,234		3,932,856		3,389,837	
2016										
1st Qtr	979,408	3%	887,179	0%	1,866,587	2%	952,074	2%	900,808	1%
2nd Qtr	1,008,699	3%	901,410	-2%	1,910,109	1%	1,023,831	0%	873,287	1%
3rd Qtr	987,528	1%	839,719	-2%	1,827,247	0%	1,023,204	2%	791,177	-3%
4th Qtr	947,050	-1%	842,724	-1%	1,789,774	-1%	992,773	1%	783,967	-4%
Total	3,922,685	1%	3,471,032	-1%	7,393,717	0%	3,991,882	2%	3,349,239	-1%
2017										
1st Qtr	952,260	-3%	866,564	-2%	1,818,824	-3%	944,314	-1%	862,106	-4%

Source: Agriculture and Livestock Industries Corporation (Originally from MAFF Milk and Dairy Products Statistics)

Notes: Percent change figures are calculated on a calendar year-on-year quarterly basis. Blue shading denotes periods since adverse 2016 Hokkaido weather.

Table 2. Production, Stocks and Distribution Estimates for NFDM and Butter

Unit: Metric Ton

	NFDM						Butter					
	Production		Ending Stocks		Distribution		Production		Ending Stocks		Distribution	
	Volume	% Change	Volume	% Change	Volume	% Change	Volume	% Change	Volume	% Change	Volume	% Change
2015												
1st Qtr	18,136		46,542.0		33,041.5		35,411		17,833.4		18,184.0	
2nd Qtr	17,184		51,933.7		34,396.0		33,107		20,273.6		16,998.8	
3rd Qtr	14,705		51,024.6		35,381.2		28,650		23,385.5		17,072.7	
4th Qtr	14,785		53,372.4		32,025.8		31,442		18,826.1		24,663.8	
Total	64,810		53,372.4		134,844.5		128,610		18,826.1		76,919.4	
2016												
1st Qtr	19,622	8%	56,419.5	21.2%	34,385.3	4%	36,985	4%	22,050.0	23.6%	16,474.3	-9%
2nd Qtr	18,334	7%	58,748.4	13.1%	33,412.5	-3%	33,573	1%	27,818.3	37.2%	17,098.6	1%
3rd Qtr	14,380	-2%	53,024.1	3.9%	34,726.4	-2%	27,212	-5%	27,830.8	19.0%	17,035.6	0%
4th Qtr	13,874	-6%	49,583.1	-7.1%	33,615.5	5%	29,827	-5%	24,826.3	31.9%	21,654.8	-12%
Total	66,210	2%	49,583.1	-7.1%	136,139.7	1%	127,598	-1%	24,826.3	31.9%	72,263.4	-6%
2017												
1st Qtr	16,995	-13%	48,199.0	-14.6%	34,965.3	2%	32,887	-11%	24,481.0	11%	17,425.5	6%

Source: Agriculture and Livestock Industries Corporation (Originally from MAFF Milk and Dairy Products Statistics)

Notes: Percent change figures are calculated on a calendar year-on-year quarterly basis. Blue shading denotes periods since adverse 2016 Hokkaido weather.

Table 3. Japan's Current Access and Additional Importation of Designated Dairy Commodities

Unit: Metric Ton

Current Access												
	JFY 2012	Milk Equivalent Volume	JFY 2013	Milk Equivalent Volume	JFY 2014	Milk Equivalent Volume	JFY 2015	Milk Equivalent Volume	JFY 2016	Milk Equivalent Volume	JFY 2017	Milk Equivalent Volume
Butter	7,459	92,044	3,500	43,190	3,000	37,020	2,800	34,552	7,000	86,380	0	0
NFDM	0	0	8,768	56,817	9,178	59,473	10,000	64,800	2,000	12,960	13,000	84,240
Dairy Spread	800	9,872	225	2,777	500	6,170	330	4,072	342	4,217	330	4,072
Butter Oil	300	4,545	242	3,666	250	3,788	200	3,030	200	3,030	204	3,091
Whey / Prepared Whey	4,500	30,780	4,500	30,780	4,500	30,780	4,500	30,780	4,500	30,780	6,700	45,828
Subtotal		137,241		137,229		137,231		137,234		137,367		137,231

Unit: Metric Ton

Japan's Additional Importation of Designated Dairy Commodities												
	JFY 2012	Milk Equivalent Volume	JFY 2013	Milk Equivalent Volume	JFY 2014	Milk Equivalent Volume	JFY 2015	Milk Equivalent Volume	JFY 2016	Milk Equivalent Volume	JFY 2017	Milk Equivalent Volume
Butter	2,000	24,680	0	0	10,000	123,400	10,000	123,400	9,829	121,290	13,000	160,420
NFDM	0	0	0	0	10,000	64,800	5,000	32,400	2,000	12,960	21,000	136,080
Subtotal		24,680		0		188,200		155,800		134,250		296,500
Grand Total		161,921		137,229		325,431		293,034		271,616		433,731

Source: Agriculture and Livestock Industries Corporation

Table 4. JFY 2017 Current Access NFDI Tender Results

Unit: Metric Ton

Date	14-Feb	21-Feb	2-Mar	Total	
Method	Ordinary	SBS	SBS		
Tender Volume	2,000	5,000	6000	13,000	
Total Bid (Prevailing Demand)	7,634	19,038	18,746	45,418	
Bid Results	2,000	5,000	6,000	13,000	
Bid Rate	382%	381%	312%	349%	

Average Import Bid Price (Yen/Kg.)	* see Note	339	338		
Average Sales Bid Price (Yen/Kg.)		735	733		

Results By Country	14-Feb	21-Feb	2-Mar	Total	Share
Belgium	900	3,425	25	4,350	33%
New Zealand	0	175	3,470	3,645	28%
The United States	100	800	940	1,840	14%
Australia	800	0	1,008	1,808	14%
The Netherlands	100	0	0	100	1%
France	100	0	200	300	2%
Germany	0	600	0	600	5%
Finland	0	0	357	357	3%
Total	2,000	5,000	6,000	13,000	100%

Source: Agriculture and Livestock Industries Corporation

Table 5. JFY 2017 Additional NFDI Import Tender Schedule

Unit: Metric Ton

Date	8-Jun	13-Jun	27-Jun	Total
Method	Ordinary	SBS	SBS	
Tender Volume	2,000	5,000	5,000	12,000

Source: Agriculture and Livestock Industries Corporation

Table 6. JFY 2017 Additional Butter Import Tender Results

Unit: Metric Ton

Date	20-Apr	25-May	Total YTD	
Tender Volume	2,500	2,500	5,000	
Method	Ordinary			
Total Bid (Prevailing Demand)	700	684	1,384	
Bid Results	575	684	1,259	
Bid Rate	23%	27%	25%	
Unsold Volume	1,925	1,816	3,741	

Results By Country	20-Apr	25-May	Total YTD	Share
The Netherlands	300	225	525	42%
New Zealand	0	338	338	27%
France	0	121	121	10%
Germany	275	0	275	22%
The United States	0	0	0	0%
Australia	0	0	0	0%
Argentina	0	0	0	0%
Belgium	0	0	0	0%
Switzerland	0	0	0	0%
Total	575	684	1,259	100%

Source of Data: Livestock and Agriculture Industry Corporation