**Market brief Japan**

Japan is a high-value, stable and mature market and one of Australia’s most important export markets.

**Global exports to Japan in 2017/2018**

- Rank at #3 in the global dairy market (by volume).
- Destination for 567 thousand tonnes of dairy products worth US$1,827 million (September 2017 to August 2018).
- Exports to Japan have increased by 22.3% from 2013/14 to 2017/18.
- The biggest volume growth (product categories exceeding US$20 million) has been in: Milk Products (130%), SMP (130%), Butter (118%), Lactose (39%) and Cheese (15%).
- The biggest volume decline (product categories exceeding US$20 million) has been in: Ice Cream (-33%), WMP (-19%) and Casein (-6%).

**Australian market share in 2017/2018**

- Ranked at 4th in the share of Japan’s import volume.
- Destination for 108 thousand tonnes of Australian dairy products, worth US$429 million (September 2017 to August 2018).
- Exports to Japan have decreased 6.9% from 2013/14 to 2017/18.
- The biggest volume growth (product categories exceeding US$1 million) has been in: SMP (367%) and Condensed Milk (45%).
- The biggest volume decline (product categories exceeding US$1 million) has been in: Casein (-99%), Cheese (-8%) and Whey Powder (-2%).

**Market developments**

Japan is a major importer of dairy products and has traditionally been one of Australia’s most valuable export markets. Japan’s national dairy herd has contracted in recent years, reducing the volume of milk available for domestic consumption. As a result dairy exports to Japan have increased by more than 22% over the past five years. European exports to Japan have grown significantly following the removal of Europe’s milk production quotas, and the European Union (EU) is now the largest exporter of dairy products to this market.

Cheese continues to be the most popular export product to Japan. Australia is the largest exporter of cheese to Japan, with cheese accounting for more than 80% of Australian exports. Australian cheese exports are predominately natural-style cheeses which are used by food service customers, such as bakeries and ice-cream manufacturers. Fresh cheese made up close to 50% of Australian cheese exports and was worth US$215 million in 2017/18. Other Australian cheese varieties, such as cheddar and semi-hard cheeses are also processed prior to consumption. These are either blended with locally produced cheese according to Agriculture and Livestock Industries Corporation’s (ALIC) requirements, or shredded and sold as ingredient cheese.

In July 2018, Japan and the European Union (EU) finalised negotiations of a free trade agreement which is set to give the EU favourable tariffs for many major dairy products. In November 2018 the Japanese cabinet approved the legislation that would ratify this agreement. This free trade agreement includes a ‘protection’ clause for a wide range of Geographical Indicators on different dairy products, such as parmesan. If ratified this would prove detrimental to Australian exporters as they will not be able to sell dairy products to the Japanese market under these names.

As Japan undergoes profound demographic changes, the dairy market is expected to change as well. Low-birth rates have resulted in a decline in demand for infant formula, children’s snacks and fresh drinking milk, products which are traditionally consumed by children. Simultaneously, the ageing population in Japan has increased demand for nutritional supplements and meal-replacements fortified with calcium and protein. Other so-called ‘functional health’ product categories, such as probiotics and specialist yoghurts, have also shown strong growth. These trends are likely to continue to shape the Japanese dairy market.

**Tariff environment**

Japan’s dairy industry is heavily protected with a complex network of laws and quotas controlling production and importation. In January 2015 the Japan-Australia Economic Partnership Agreement (JAEPA) entered into force which allowed Australia a reduction in tariffs for selected dairy products. This agreement immediately abolished tariffs for natural cheeses for processing and allowed Australia preferential quotas for other dairy products. According to the agreement tariffs will step down each January beginning in 2016, however many dairy products will remain subject to mixed tariffs and rate quotas. A summary of current tariffs for the major dairy categories imported by Japan can be found in Figure 7.

**Key international marketing programs and initiatives**

Dairy Australia is involved in a number of marketing programs and promotion activities in Japan. The annual Scholarship program has trained over 300 industry representatives from the Japanese dairy and trading companies since 1998. All delegates to the Scholarship program are now Dairy Australia’s alumni and Dairy Australia keep regular communication with the alumni through newsletters, industry visits/meetings and catch up dinner in market. Dairy Australia also visits the market regularly and holds two seminars in Japan every year to keep the Japanese industry updated on the Australian dairy industry.

*Figures shown overleaf*
Table 1

<table>
<thead>
<tr>
<th>Product Category</th>
<th>2013/14 (USD)</th>
<th>2017/18 (USD)</th>
<th>2013/14 (tonnes)</th>
<th>2017/18 (tonnes)</th>
<th>2013/14 Value (USD)</th>
<th>2017/18 Value (USD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cheese</td>
<td>31.8</td>
<td>34.1</td>
<td>74.7</td>
<td>90.2</td>
<td>323.3</td>
<td>373.2</td>
</tr>
<tr>
<td>Condensed Milk</td>
<td>85</td>
<td>91.1</td>
<td>3.8</td>
<td>3.3</td>
<td>10.8</td>
<td>9.8</td>
</tr>
<tr>
<td>Ice Cream</td>
<td>2.4</td>
<td>3.6</td>
<td>0.1</td>
<td>0.4</td>
<td>0.7</td>
<td>0.8</td>
</tr>
<tr>
<td>SMP</td>
<td>14.5</td>
<td>18.1</td>
<td>3.8</td>
<td>7.8</td>
<td>17.6</td>
<td>16.9</td>
</tr>
<tr>
<td>WMP</td>
<td>9</td>
<td>12.4</td>
<td>5.1</td>
<td>6.2</td>
<td>19</td>
<td>23.3</td>
</tr>
</tbody>
</table>


Figure 6: Australia’s exports (Japan)

Figure 7: Dairy tariffs (Japan)

Table 2

<table>
<thead>
<tr>
<th>Tariff Category</th>
<th>Product Category</th>
<th>Applied Tariff %</th>
</tr>
</thead>
<tbody>
<tr>
<td>4021</td>
<td>Milk and cream, concentrated or containing added sugar or other sweetening matter</td>
<td>25.0</td>
</tr>
<tr>
<td>4061</td>
<td>Fresh (unripened or uncured) Cheese, including whey cheese, and curd. Free within Country Specific Quota</td>
<td>29.8</td>
</tr>
<tr>
<td>4069</td>
<td>Cheese for processing, unspecified (pooled Quota), when blended according</td>
<td>0.00</td>
</tr>
<tr>
<td>3502</td>
<td>Milk albumin, including concentrates of two or more whey proteins</td>
<td>0.00</td>
</tr>
</tbody>
</table>

Figure 2: Top dairy imports by volume (Japan)

Figure 3: Top dairy imports by USD value (Japan)

Figure 4: Top Australian dairy exports by volume (Japan)

Figure 5: Top Australian dairy exports by USD value (Japan)

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