



Version 2 – August 2016

Australia's most important market, Japan is a high-value, stable and mature market that imports large volumes of Australian cheese.

Global Exports to Japan in 2015/2016

Rank at #3 in the global dairy market (by volume).

Destination for 467.2 thousand tonnes of dairy product, worth US \$1,413.6 million (June 2015 to May 2016).

Exports to Japan have increased by 7.1% over 5 years.

The biggest volume growth (product categories exceeding US\$20 million) has been in: Butter (129%), Milk Products (70%), Protein (38%), WMP (18%) and SMP (15%).

The biggest volume decline (product categories exceeding US\$20 million) has been in: Casein (-14%), Lactose.

Australian Market Share in 2015/2016

Rank at #2 in the share of the Japan import volume.

Destination for 101.3 thousand tonnes of Australian dairy product, worth US \$335.9 million (June 2015 to May 2016).

Exports to Japan have increased by 3.3% over 5 years.

The biggest volume growth (product categories exceeding US\$1 million) has been in: SMP (289%), Whey Powder (77%) and Cheese (7%).

The biggest volume decline (product categories exceeding US\$1 million) has been in: Casein (-99%), Butter Blend (-61%) and Condensed Milk (-43%).

Tariff Environment

Australia and Japan successfully concluded negotiation for the Japan Australia Economic Partnership Agreement (JAEPA) in July 2014. Entry into force occurred in January 2015, with a reduction in tariffs for selected dairy products. Thereafter tariffs will step down each January beginning in 2016. Many dairy products will remain subject to mixed tariffs, and tariff rate quotas. A summary of current tariffs for the major dairy categories imported by Japan can be found in Figure 7*.

Market Developments

Japan has historically been Australia's most important export market, and remains the largest market by value for Australian dairy exports. Whilst export volumes in 2015 increased strongly from 95 to 108 thousand tonnes, at the expense of American product. However, lower global prices saw the total value of

exports decline. It should be noted that total Japanese dairy imports volumes are regulated through a system known as 'The Pooled Quota', overseen by the Agricultural Livestock Industries Corporation, making market access difficult.

Cheese dominates Australian exports to Japan, accounting for over 80% of Australia's exports by volume. Australian cheese exports are predominantly of the natural variety, of which fresh cheese was most important, worth \$200m USD in 2015. This fresh cheese was used overwhelmingly in the food services industries, such as bakeries and ice-cream manufacture. Imports of Australian cheddar and other semi-hard cheeses are also further processed prior to consumption, either blended with locally produced cheese according to ALIC's requirements, or shredded and sold as ingredient cheese. Geographic Indicators have also emerged as a potential issue during EU-Japan trade negotiations, with the European Union seeking restrictions on the use of names for cheese products such as Parmesan, affecting Australian exporters.

As Japan undergoes profound demographic changes, due to low fertility rates and long life expectancies, the market for dairy products is expected to change as well. Low-birth rates and a decline in the total number of infants and children has seen a decline in demand for infant formula, children's snacks and drinking milk, which is predominantly consumed by children. At the same time, the advanced ageing of Japan's population has seen an 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 yogurts, have also shown strong growth.

Key International Marketing Programs and Activities

Dairy Australia is involved in a number of marketing programs and promotion activities in Japan. Dairy Australia collaborates with Austrade to promote Australian dairy products through initiatives such as the "Taste of Australia" campaign, aimed at promoting the use of Australian produce and foodstuffs. The Australian Prime Minister and Ambassador have also attended events associated with the "Gourmet Australia in Japan" competition, featuring dairy products such as cream cheese, gouda and cheddar. Dairy Australia also conducts regular visits and in-country seminars with key industry groups, such as the Japanese Industrial Cheese Processors Association.

* Figures shown on the overleaf

** Greater China includes the People's Republic of China as well as the Hong Kong and Macau SARs.

Figure 1 Dairy imports (Japan)

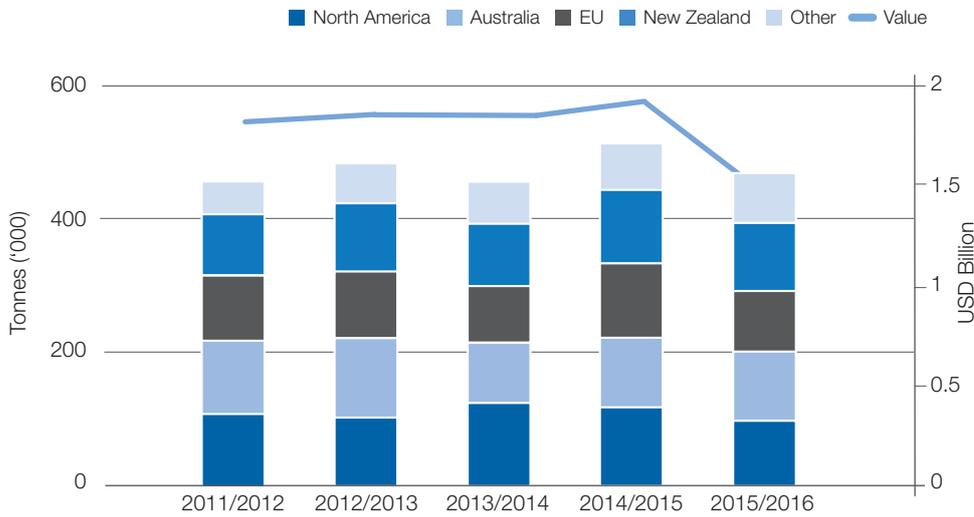


Figure 2 Top dairy imports by volume (Japan)

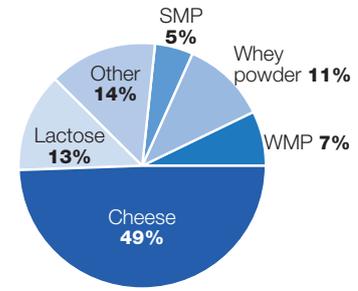


Figure 3 Top dairy imports by USD value (Japan)

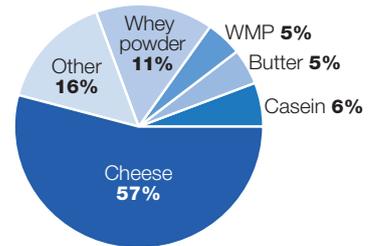


Figure 6 Australia's exports (Japan)

	Market share (USD)		Volume (thousand tonnes)		Value (million USD)	
	2010/12	2015/16	2011/12	2015/16	2011/12	2015/16
Cheese	47.0	35.8	93.7	90.5	428.0	303.8
Condensed milk	84.2	82.0	2.7	2.6	8.6	6.5
Ice cream	20.7	3.6	1.3	0.4	5.8	0.9
SMP	2.8	9.1	0.6	2.2	2.1	5.3
Whey powder	10.7	10.5	3.0	5.7	18.6	17.7
Total imports	27.8	22.9	106.3	102.1	501.6	340.6

Figure 4 Top Australian dairy exports by volume (Japan)

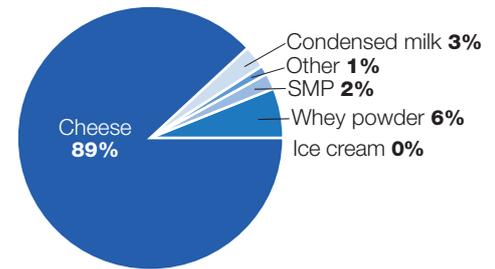
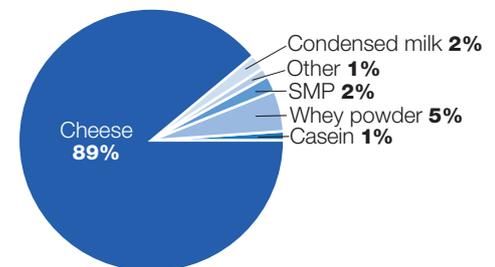


Figure 7 Dairy tariffs (Japan)

Tariff category	Product category	Applied tariff
0402102201	Milk and cream, concentrated or containing added sugar or other sweetening matter: In powder, granules or other solid forms, of a fat content, by weight, not exceeding 1.5%	25.00%
040610090	Fresh (unripened or uncured) Cheese, including whey cheese, and curd. Free within Country Specific Quota	29.80%
040690010	Cheese for processing, unspecified (pooled Quota), when blended according	0.00%
350220000	Milk albumin, including concentrates of two or more whey proteins	0.00%

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



Applied Tariffs are drawn from Integration Point. Where Australia does not have a specific tariff agreement in place, the Applied Rate for qualifying product is the MFN rate. Where a specific tariff agreement exists, the Applied Rate for qualifying product is as per that agreement. The countries with specific agreements in place are: Indonesia (AANZFTA), Japan (JAPEPA) The Republic of Korea (KAFTA), Malaysia (AANZFTA), Philippines (AANZFTA), Singapore (SAFTA), Thailand (TAFTA), and the USA (AUSFTA).

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