MAJOR FOREIGN MARKETS FOR U.S. DAIRY PRODUCTS—SPOTLIGHT ON JAPAN

For the last ten years, Japan has been the third leading destination for exports of U.S. dairy products, trailing Canada and Mexico. From 1996 through 2005, Japan accounted for an average 10.6 percent of the United States’ total dairy export value. However, the value of Japanese imports of U.S. dairy products has remained fairly constant, so its share of total U.S. exports has consistently declined as total export value has grown.

More than half of U.S. dairy exports to Japan in 2005 consisted of dry whey and lactose. The U.S. typically accounts for more than 95 percent of Japan’s imports of these products. Cheese accounted for about a quarter of 2005 U.S. dairy shipments to Japan, but the U.S. is a small player in Japan’s large and growing cheese market. Between 1986 and 2005, Japanese cheese imports increased from 81,000 MT to 215,000 MT. U.S. shipments represented only about 4 percent of Japan’s cheese imports in 2005. U.S. exports of nonfat dry milk were only about 20 percent of Japan’s 2005 import total.

Japan exports little in the way of dairy products to the United States. In 2005, Japanese dairy exports to the U.S. were valued at $21 million. Three-quarters of this value was in the category, “Confectionery (including gum) containing synthetic sweetening agents (e.g., saccharin) instead of sugar.”

Japan maintains high tariffs on most dairy products, limiting access by the U.S. and other exporting countries. But even if market access were expanded under a new WTO trade agreement, the U.S. would not likely benefit very much. New Zealand and Australia are in a better position—both in terms of geography and the cost of producing milk—to take advantage of expanded dairy trade opportunities in Japan.