



Japanese dairy industry Perspective from a processor

December 2020

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MEGMILK SNOW BRAND Co., Ltd.

Company Profile



Corporate Logo

Trade name	MEGMILK SNOW BRAND Co., Ltd.
Establishment date	October 1, 2009
Head office location (Registered head office)	5-1 Yotsuya-Honshio-cho, Shinjuku-ku, Tokyo (1-1, Naebocho 6-chome, Higashi-ku, Sapporo City, Hokkaido)
Capital	20 billion yen
Number of employees (consolidated)	5,367 (as of March 31, 2020)
Stock exchange listing	Tokyo Stock Exchange, Sapporo Securities Exchange
Representative Director and President	Keiji Nishio

History



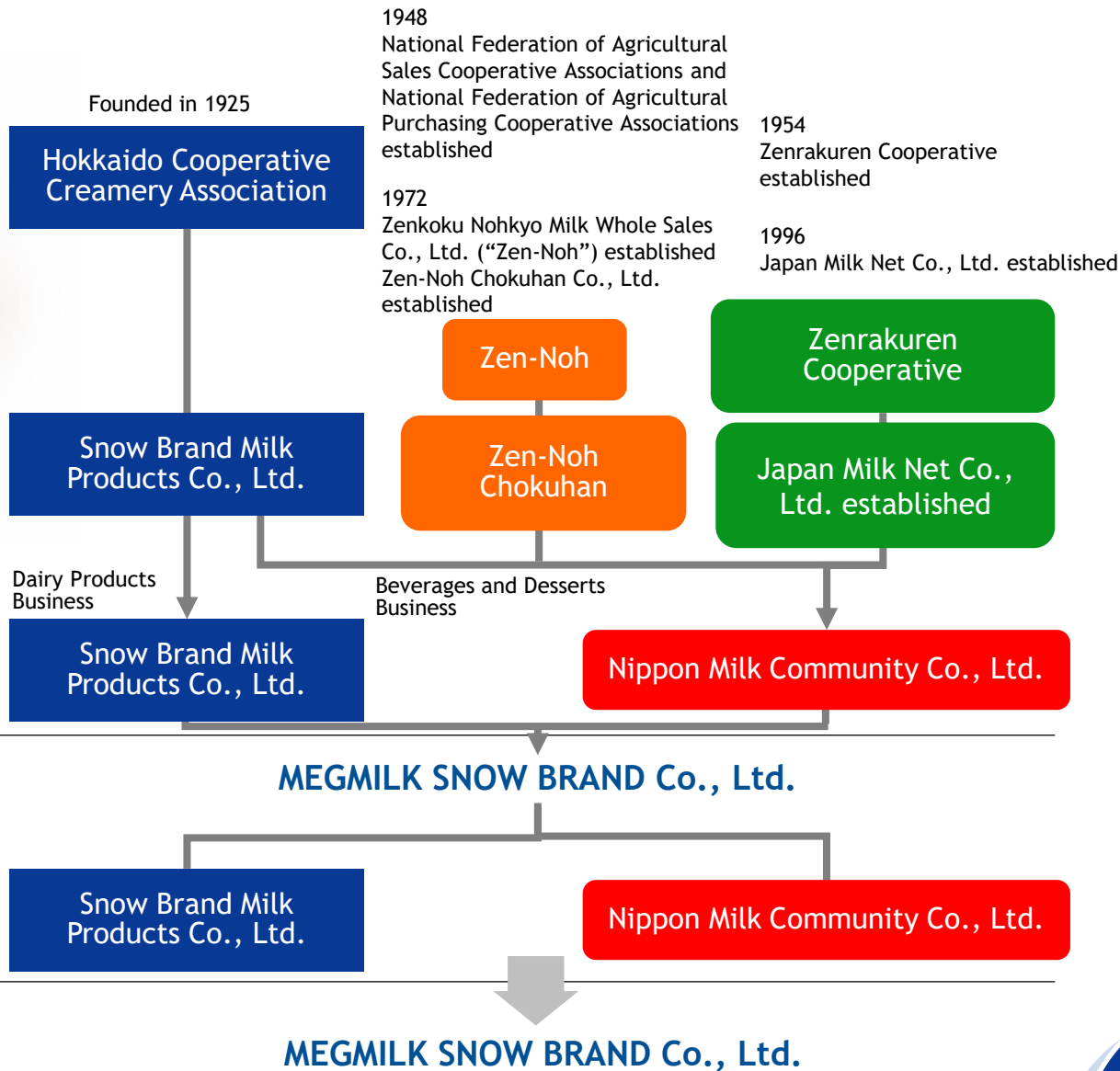
2000
Snow Brand Milk Products Co., Ltd.
food contamination incident

2002
Snow Brand Food Co., Ltd. fraudulent beef
labeling incident

January 2003
Business spin-off

October 2009
Management integration

April 2011
Merger



Group Corporate Philosophy

By pursuing this threefold mission while endowing milk with new value, Megmilk Snow Brand Group aims to continually contribute to a flourishing society.

Corporate Slogan

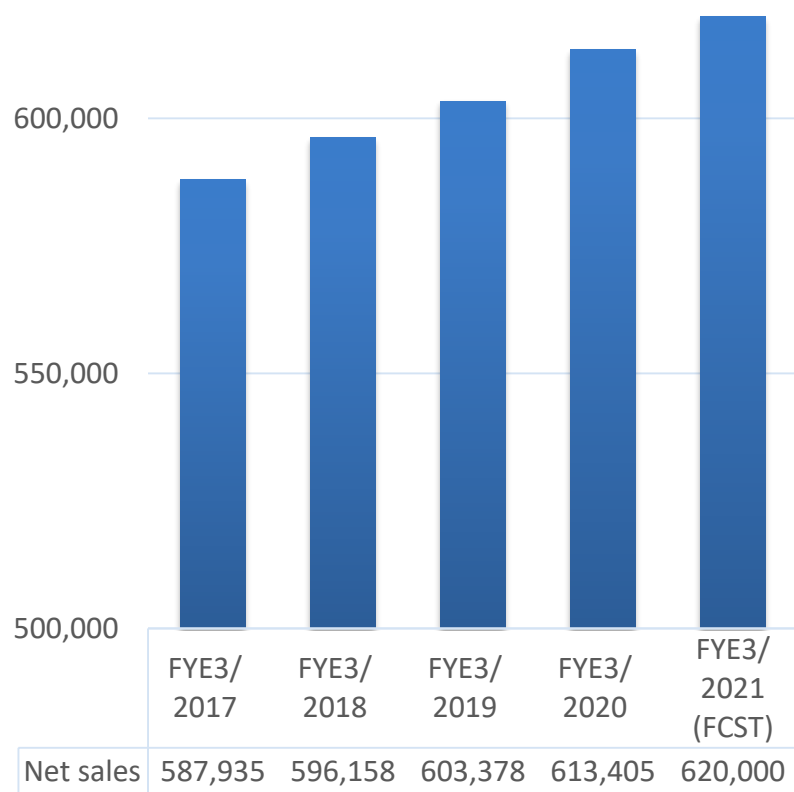
Make the Future with Milk



Financial Data

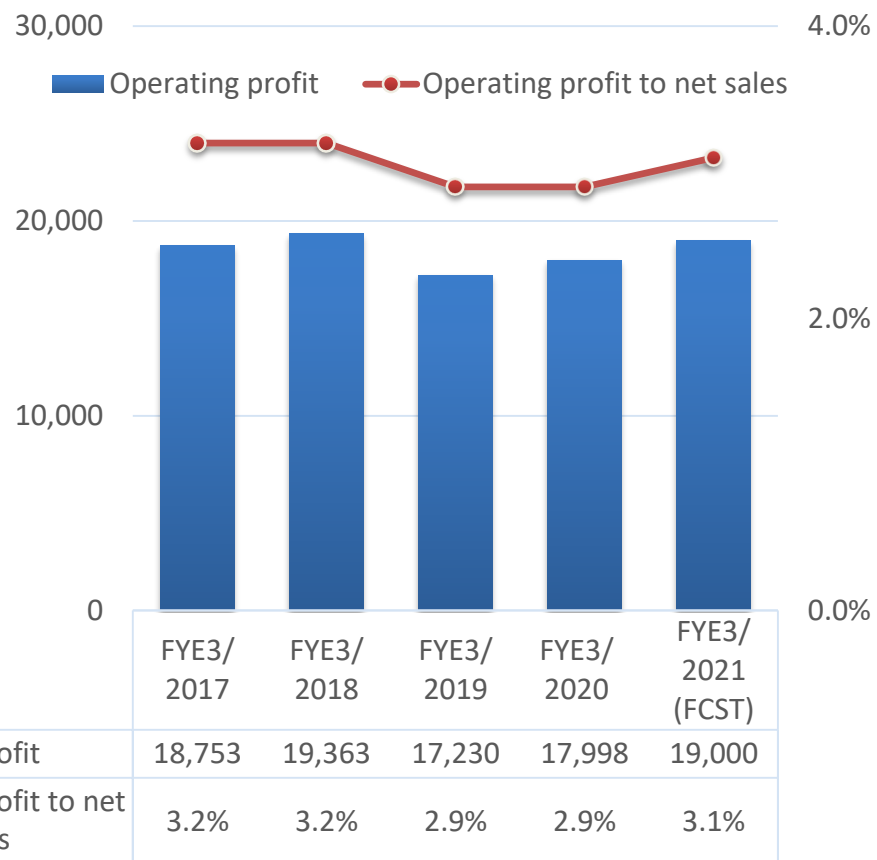
Net sales

(Million yen)



Operating profit / Operating profit to net sales

(Million yen)



Business Domains

Business Segments and Profile



MEGMILK SNOW BRAND



Daily
Products

Butter, margarine, cheese (domestic and overseas), other dairy products, etc.



Beverages
and Desserts

Milk and milk beverages, yogurt, fruit juice and vegetable juice, soft drinks, desserts, etc.



Nutrition

Infant formula (domestic and overseas), functional foods, supplements, functional ingredients, etc.



Feedstuffs and
Seed Products

Feedstuffs, seeds (forage grass and crops, vegetables), landscape gardening, cattle fattening, etc.

Business

MEGMILK SNOW BRAND Co., Ltd.
KOHANAN OILS AND FATS MFG CO., LTD.
Yatsugatake Milk Co., Ltd.
SI SYSTEM Corporation
CHESCO LTD.
Snow Brand Australia Pty. Ltd.
Udder Delights Australia Pty Ltd
PT. Megmilk Snow Brand
Indonesia
CRESCO Corporation
Nichiraku Machinery Co. Ltd.,
and others

MEGMILK SNOW BRAND Co., Ltd.
Michinoku Milk Co., Ltd.
Yatsugatake Milk Co., Ltd.
Ibaraku Co., Ltd.
SI SYSTEM Corporation
Mitsuwa Distribution Industry
Co., Ltd.
Chokuhan Haisou Co., Ltd.
Greenservice Co., Ltd.
CRESCO Corporation,
and others

Bean Stalk Snow Co., Ltd.
MEGMILK SNOW BRAND Co., Ltd.
Snow Brand Taiwan Co., Ltd.
Snow Brand Hong Kong Co., Ltd.
Snow Brand Trading (Shanghai) Co., Ltd.
Snow Brand Australia Pty. Ltd.
EN Otsuka Pharmaceutical Co., Ltd.
Amino Up Co., Ltd.
Belle Neige Direct Co., LTD., and
others

Snow Brand Seed Co., Ltd.
Snow Brand Seed USA, Inc.
Doto Feed Corporation
Royal Farm, Ltd.
RF Penkel Farm Co., Ltd.
RF Aomori Farm Co., Ltd.,
and others

Group Companies

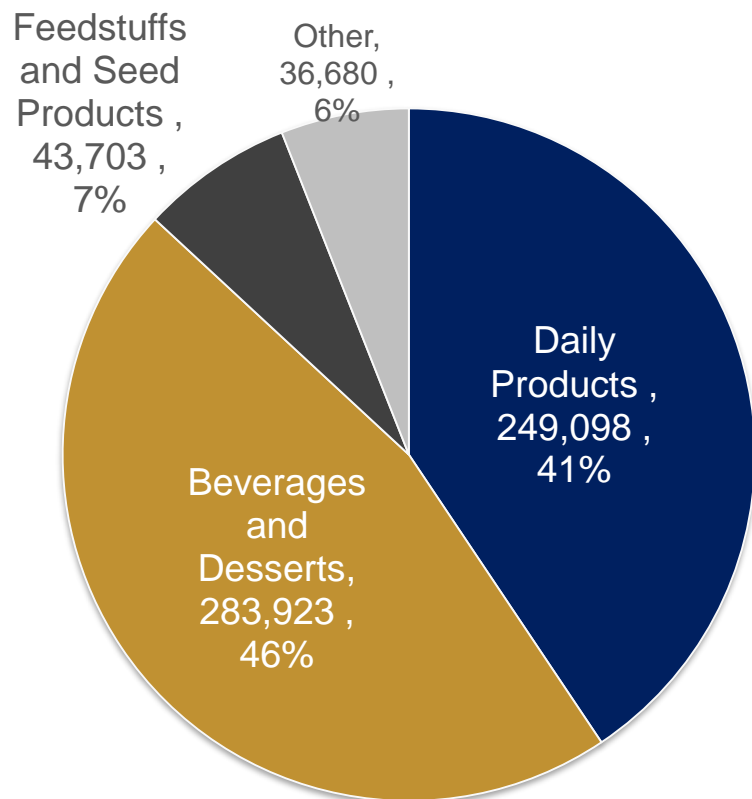
YBS Co., Ltd., Snow Brand Parlor Co., Ltd., Snow Brand KODOMO-NO-KUNI Ranch

Financial Data

FYE3/2020

Sales by segment

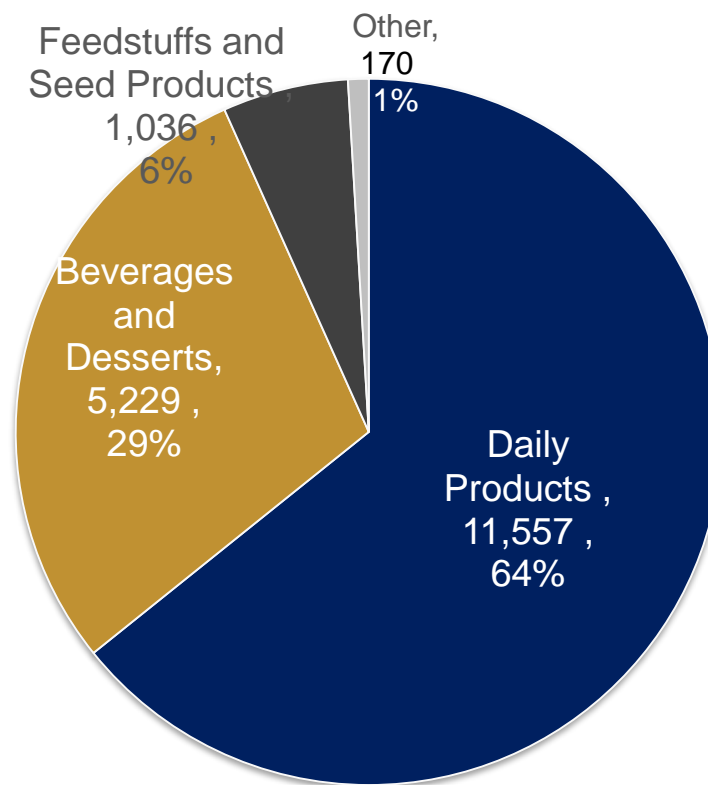
(Million yen)



FYE3/2020

Operating profit by segment

(Million yen)



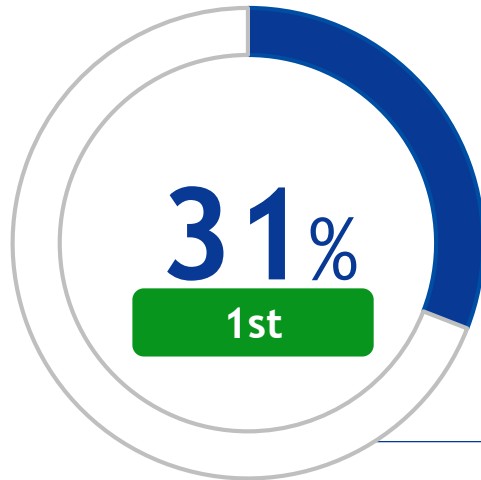


Dairy Products Business

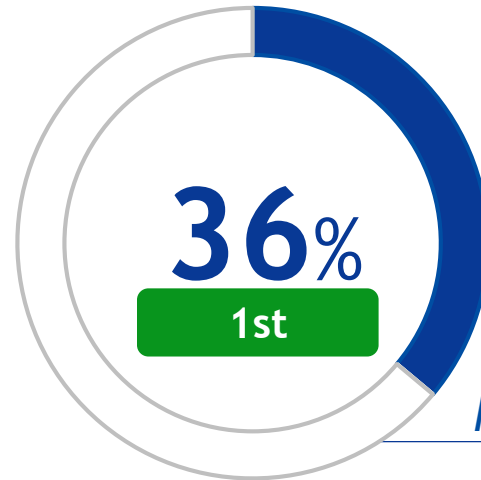
Market Share (FYE3/2020)

Household consumption based on nationwide monetary value

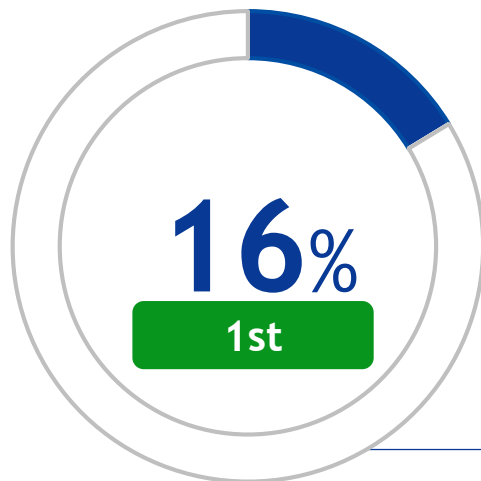
Source: Intage SCI



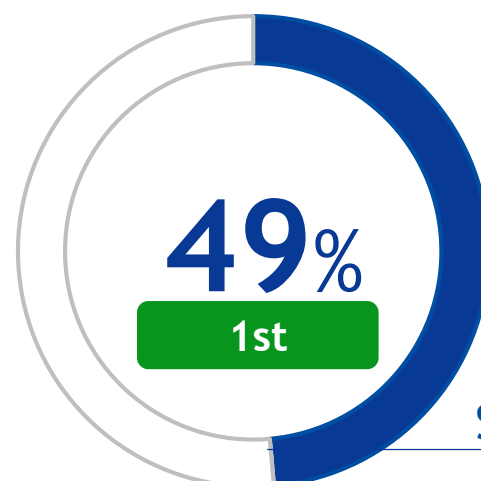
Butter



Margarine



Cheese



Skim milk



Dairy Products Business

Business Locations and Group Companies



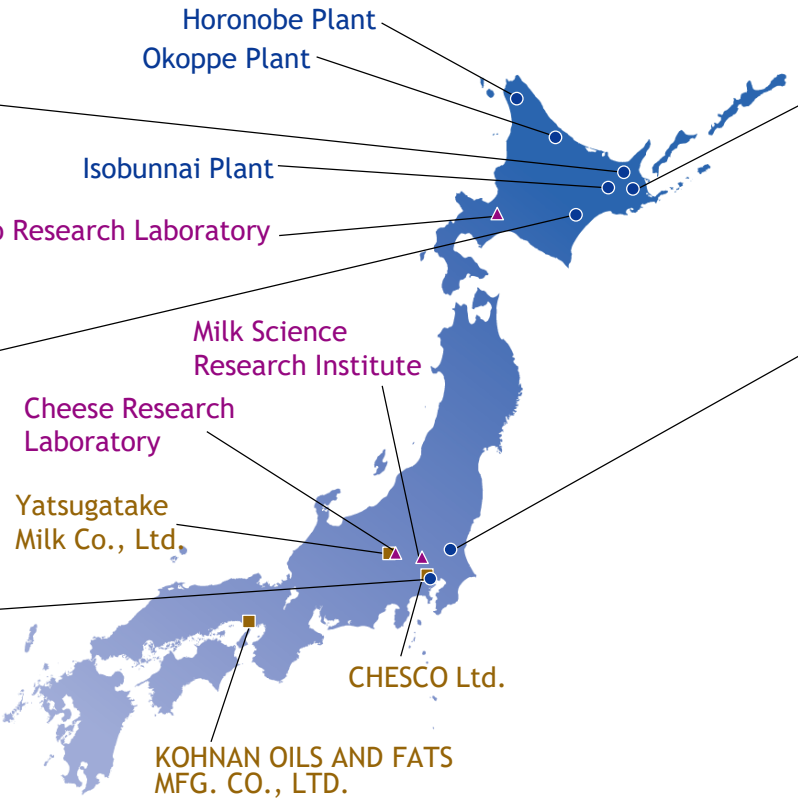
Nakashibetsu Plant



Taiki Plant



MEGMILK SNOW BRAND Co., Ltd. (Head Office)



Betsukai Plant



Ami Plant



PT. Megmilk Snow Brand Indonesia (MSBI)

- MEGMILK SNOW BRAND Co., Ltd. Head Office and Plants
- ▲ MEGMILK SNOW BRAND Co., Ltd. Research Laboratory
- MEGMILK SNOW BRAND Co., Ltd. Subsidiaries and Affiliates



Udder Delights Australia Pty Ltd



Snow Brand Australia Pty. Ltd.

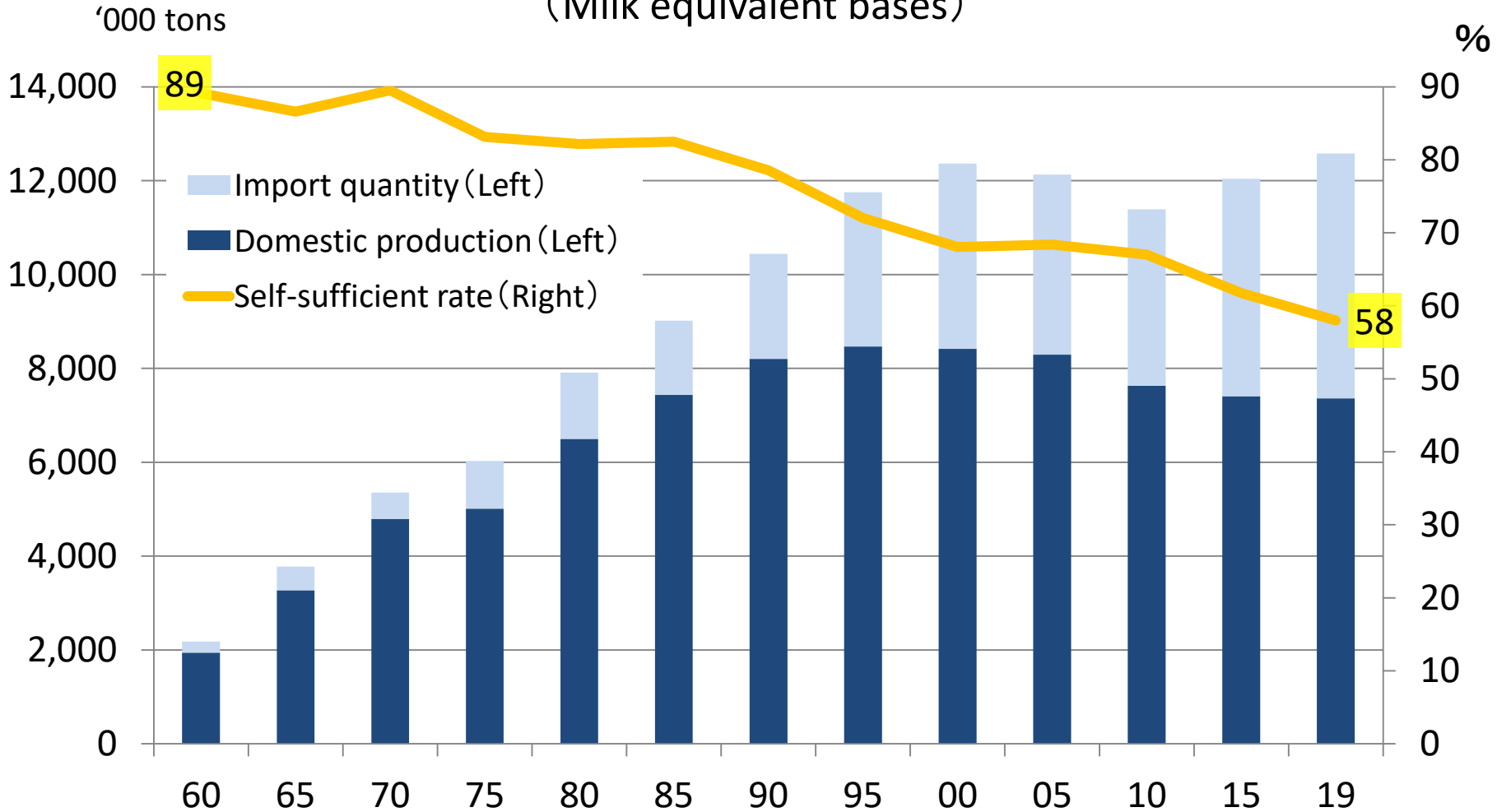




Supply-Demand structure of milk and milk products

Supply demand structure

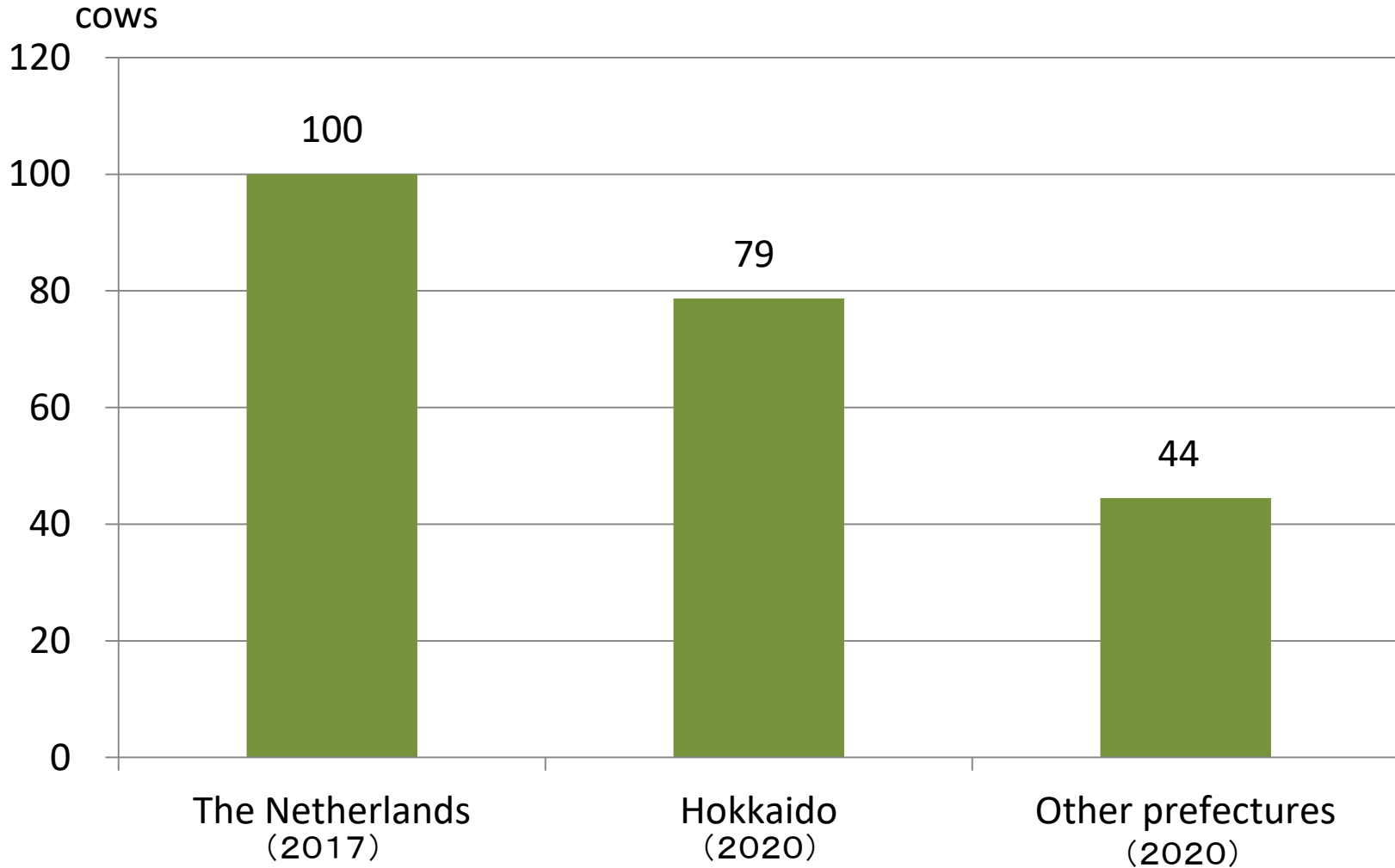
(Milk equivalent bases)



Supply - Demand gap has been filled by imports.

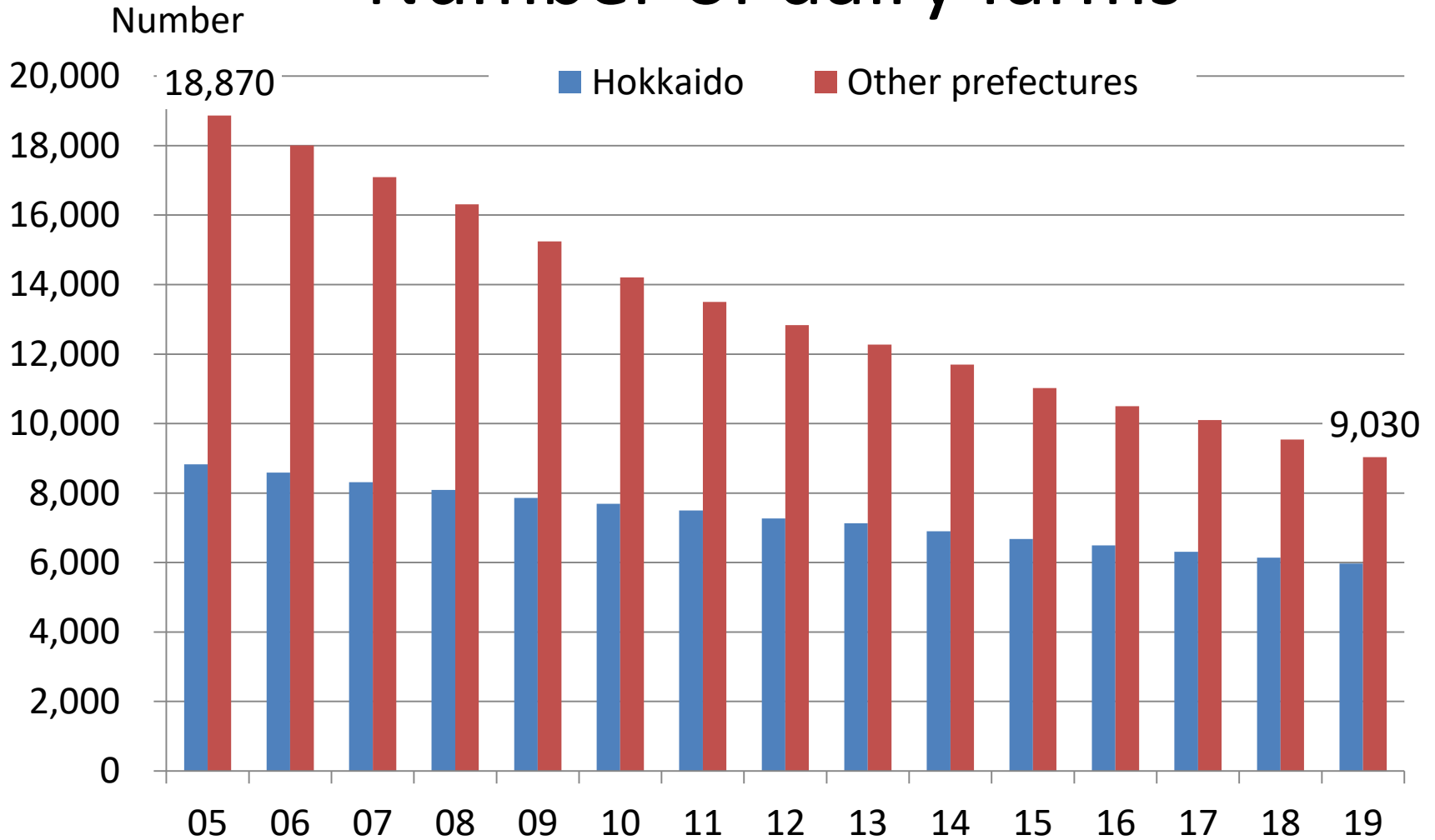
Source : MAFF Japan

Average dairy cows on farm



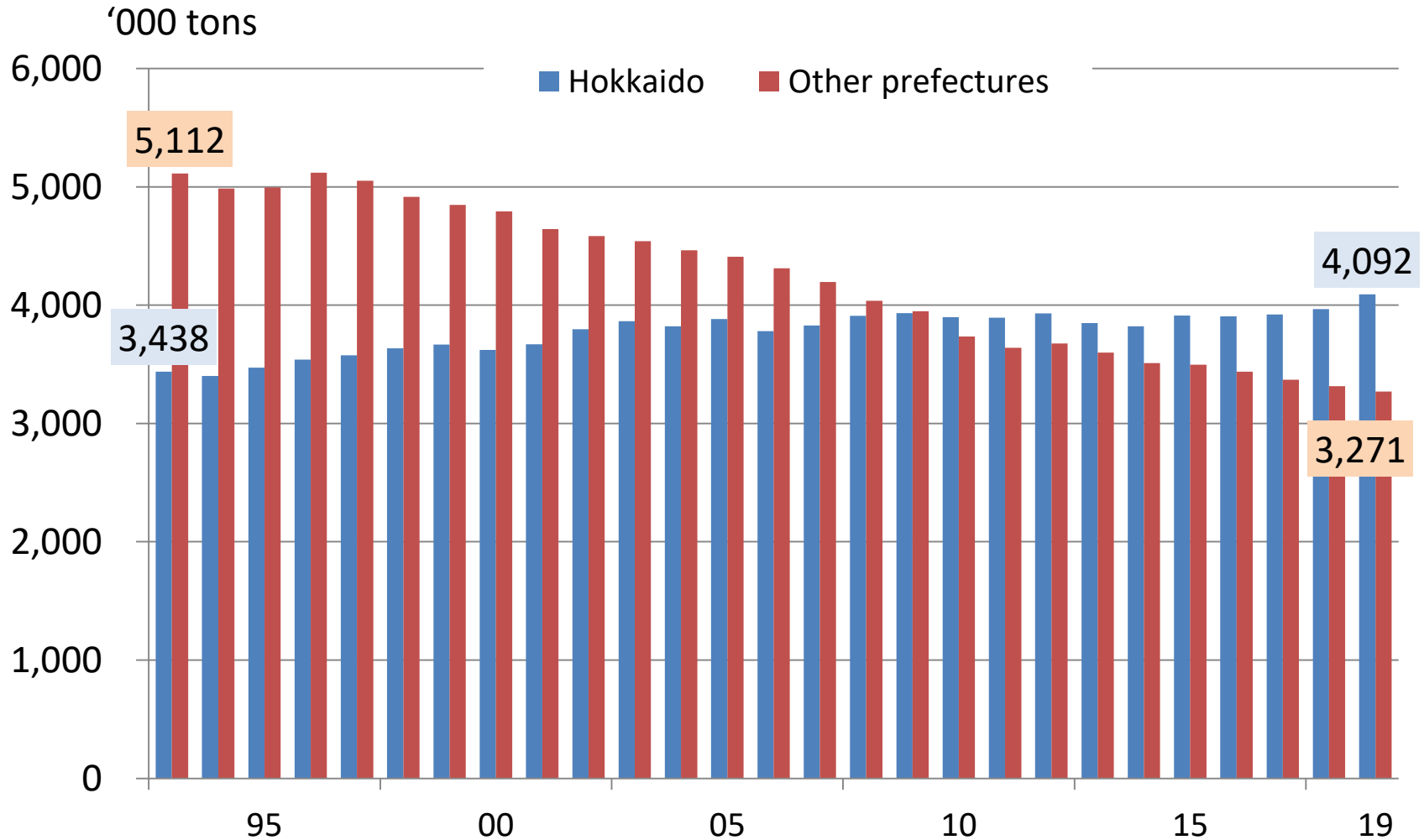
Dairy in Japan can be divided into two regions.

Number of dairy farms



A lot of dairy farmers are getting out of business in other prefectures.

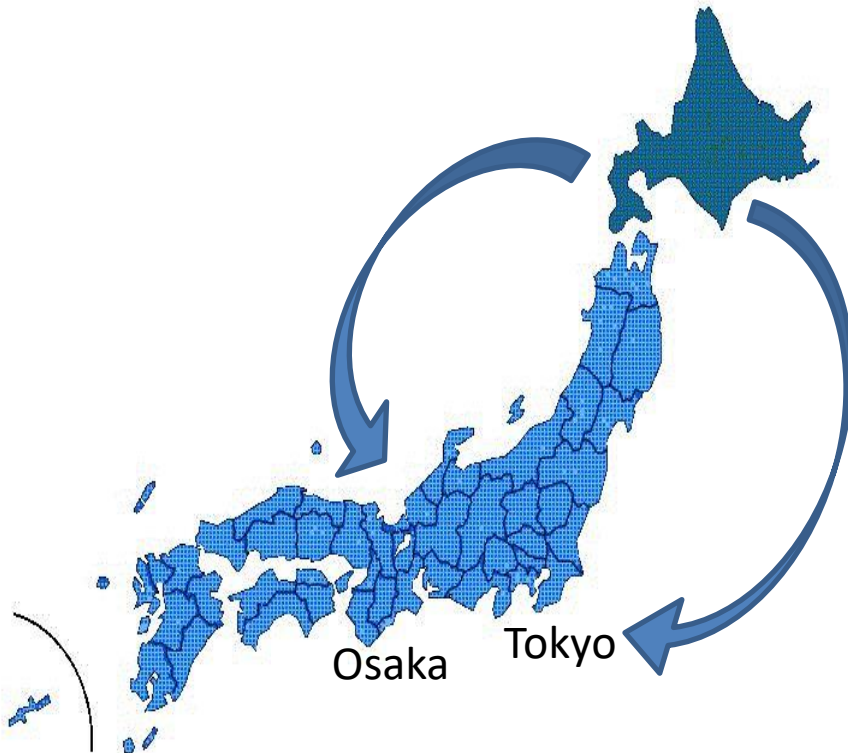
Milk production by region



Milk production in Hokkaido exceeded other total in 2010.

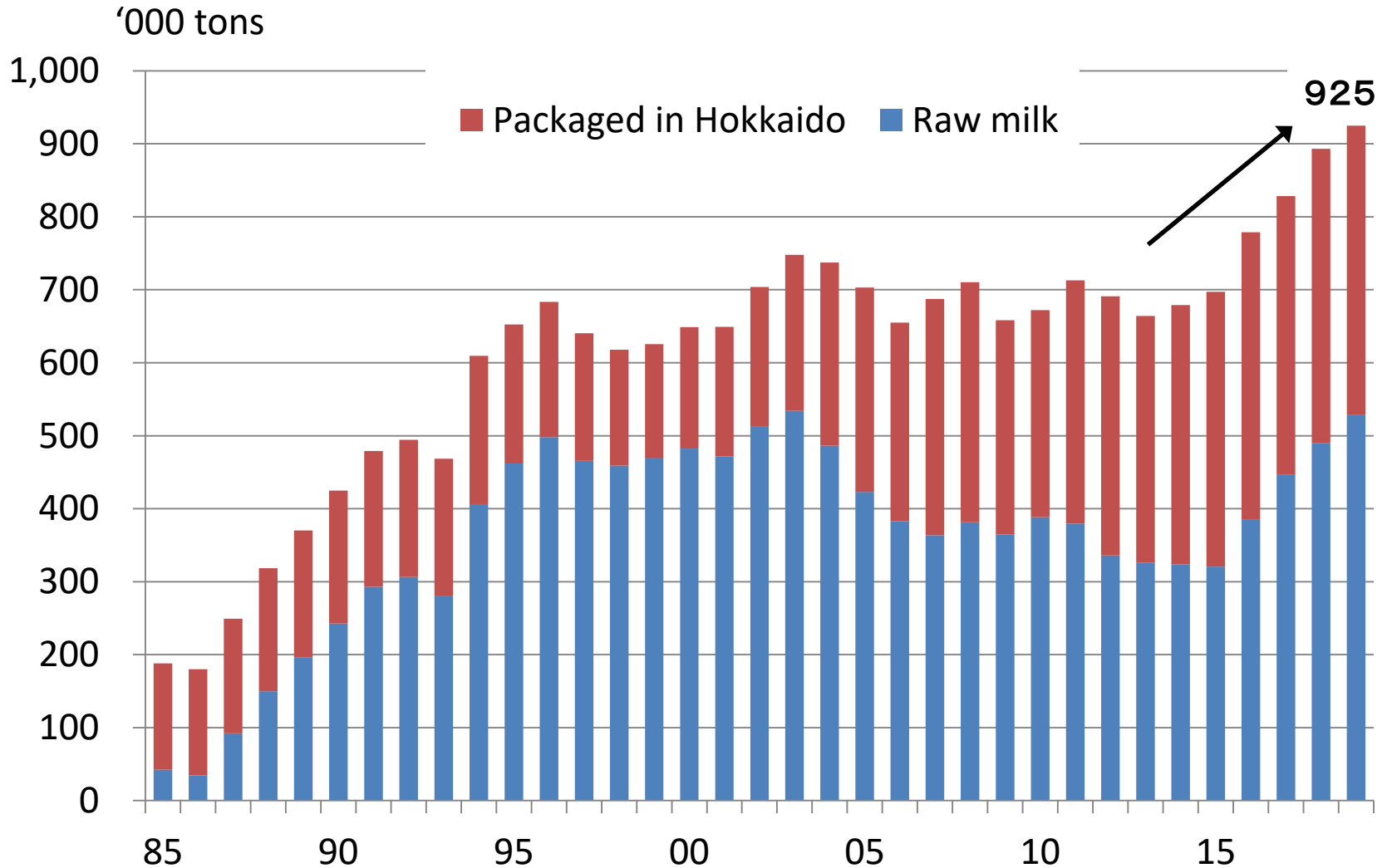
Milk transport across region

“HOKUREN MARU”



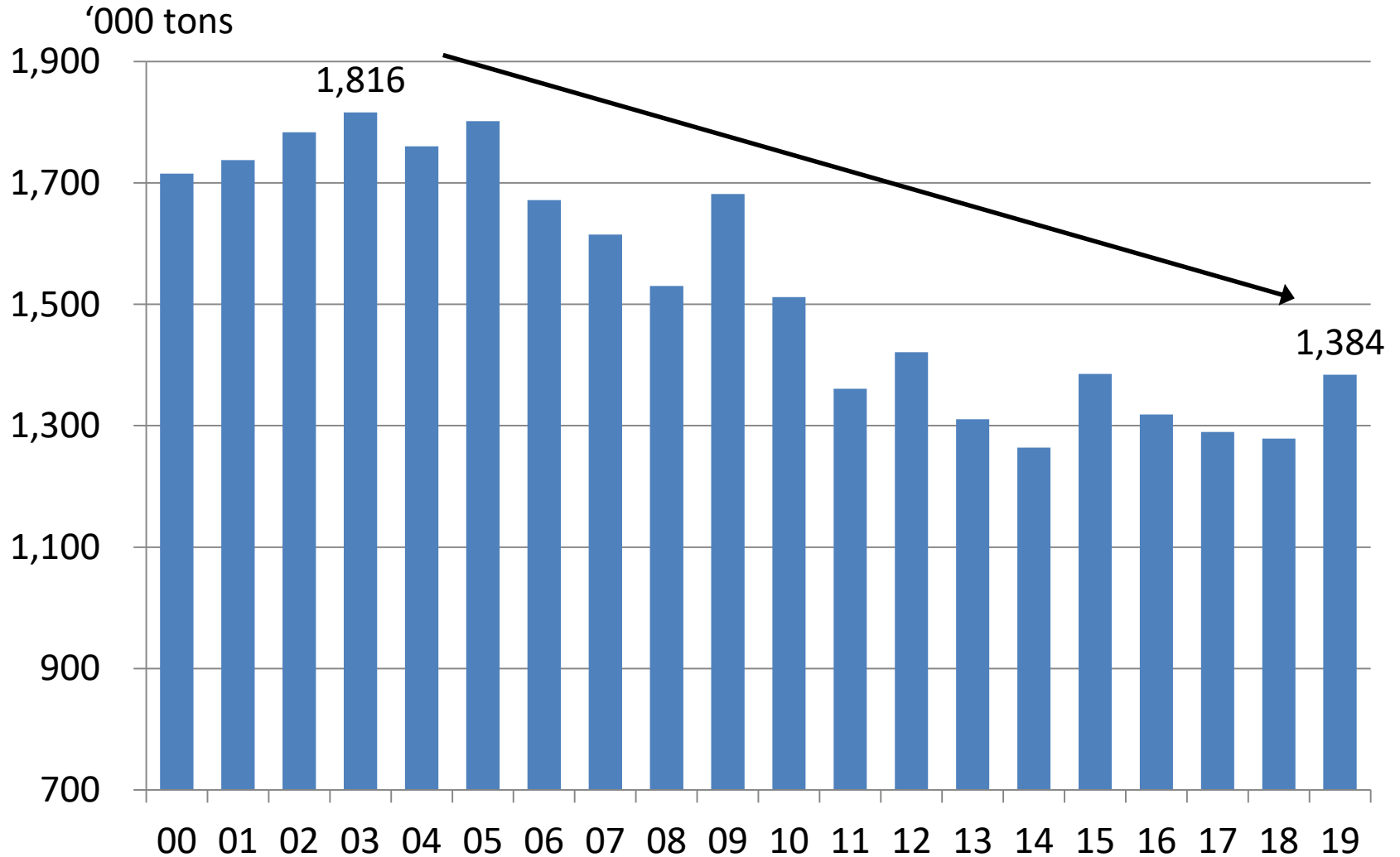
Milk deficiency in populated region is filled by transport from Hokkaido.

Milk export from Hokkaido



Milk transport from Hokkaido is predicted to reach 1 million tons.

Milk for Butter-SMP in Hokkaido

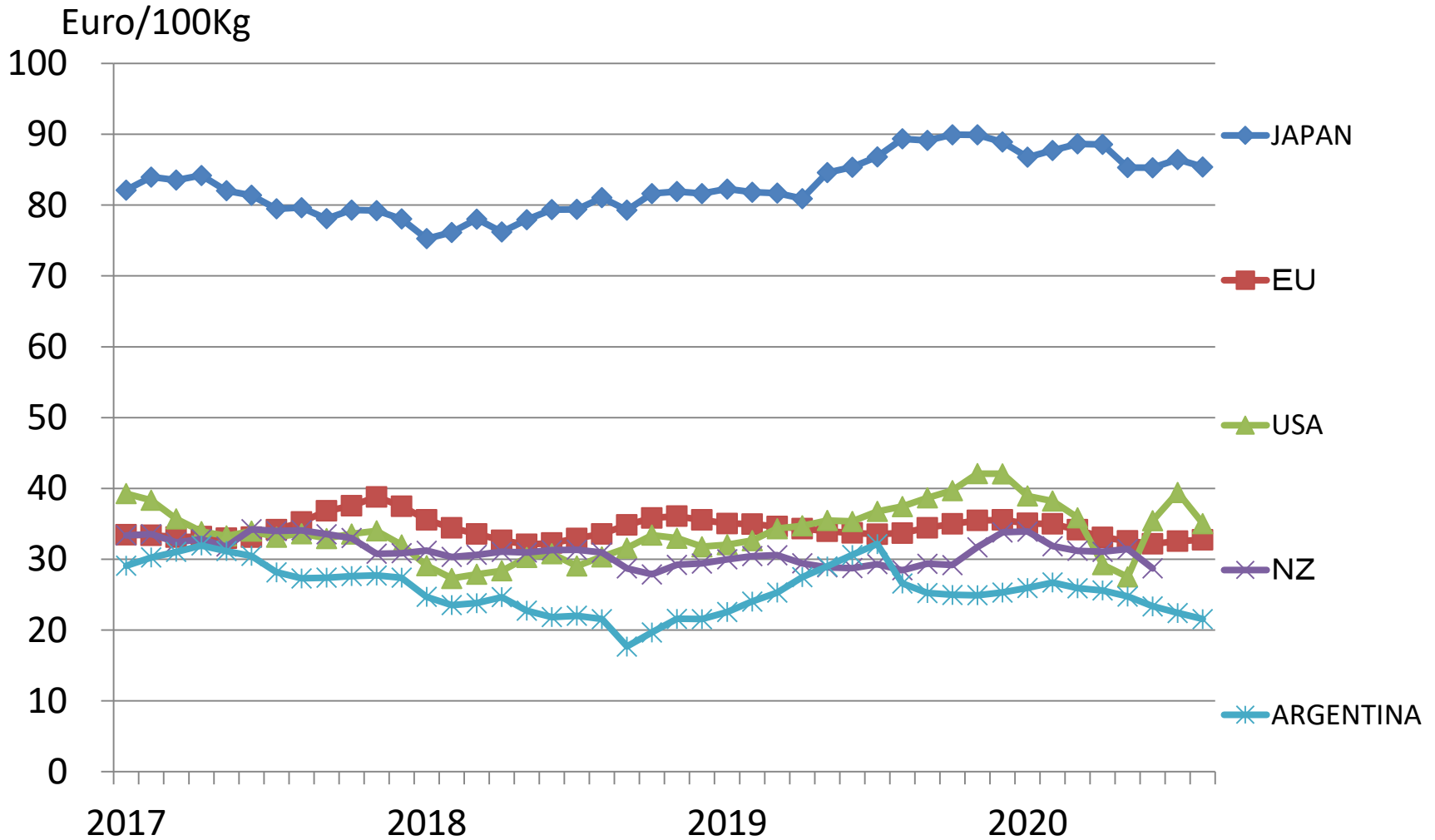


Factory utilization rate has decreased.

Source : Japan Dairy Council

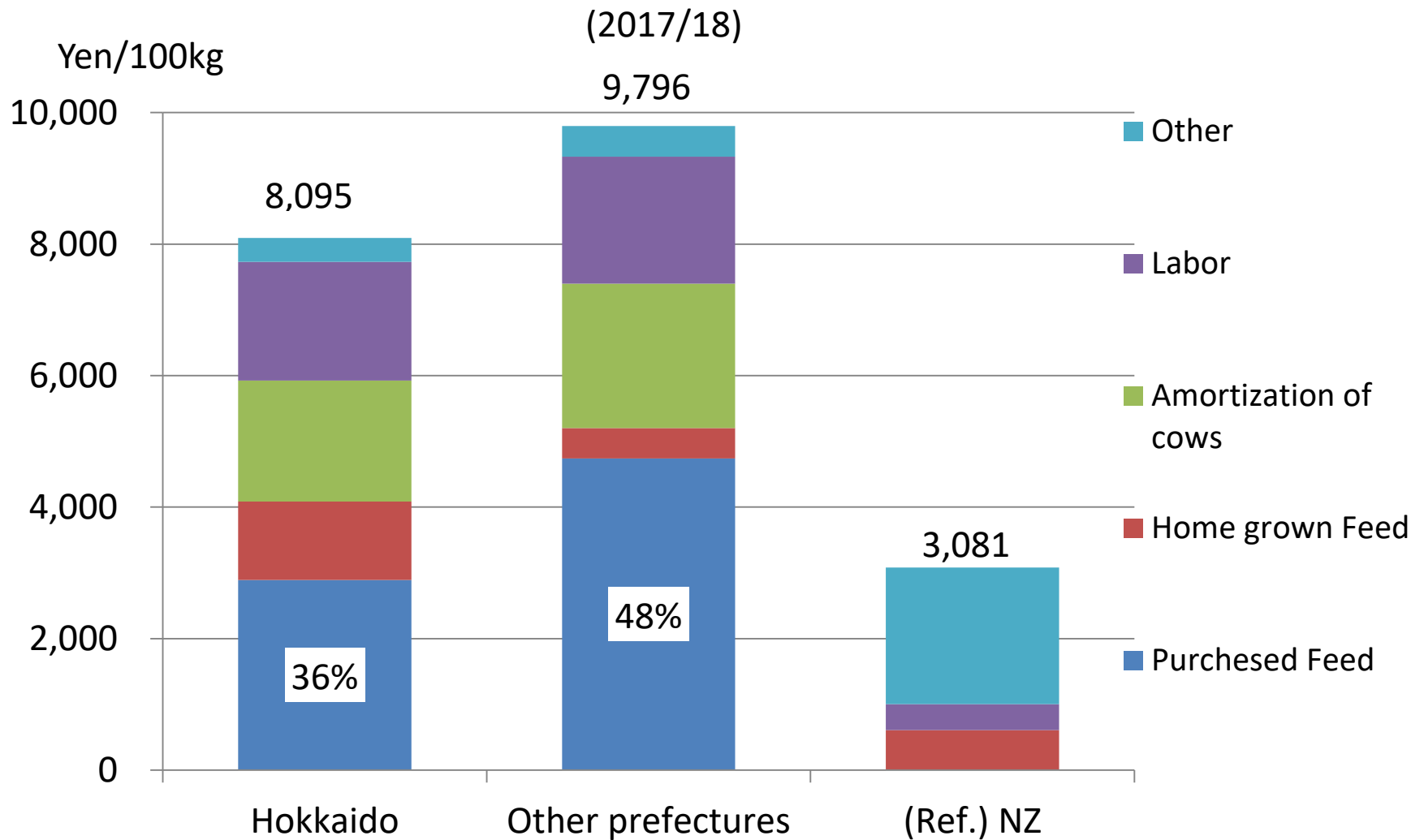
International Competitiveness of our industry

Farm gate milk price



Milk price in Japan is significantly high.

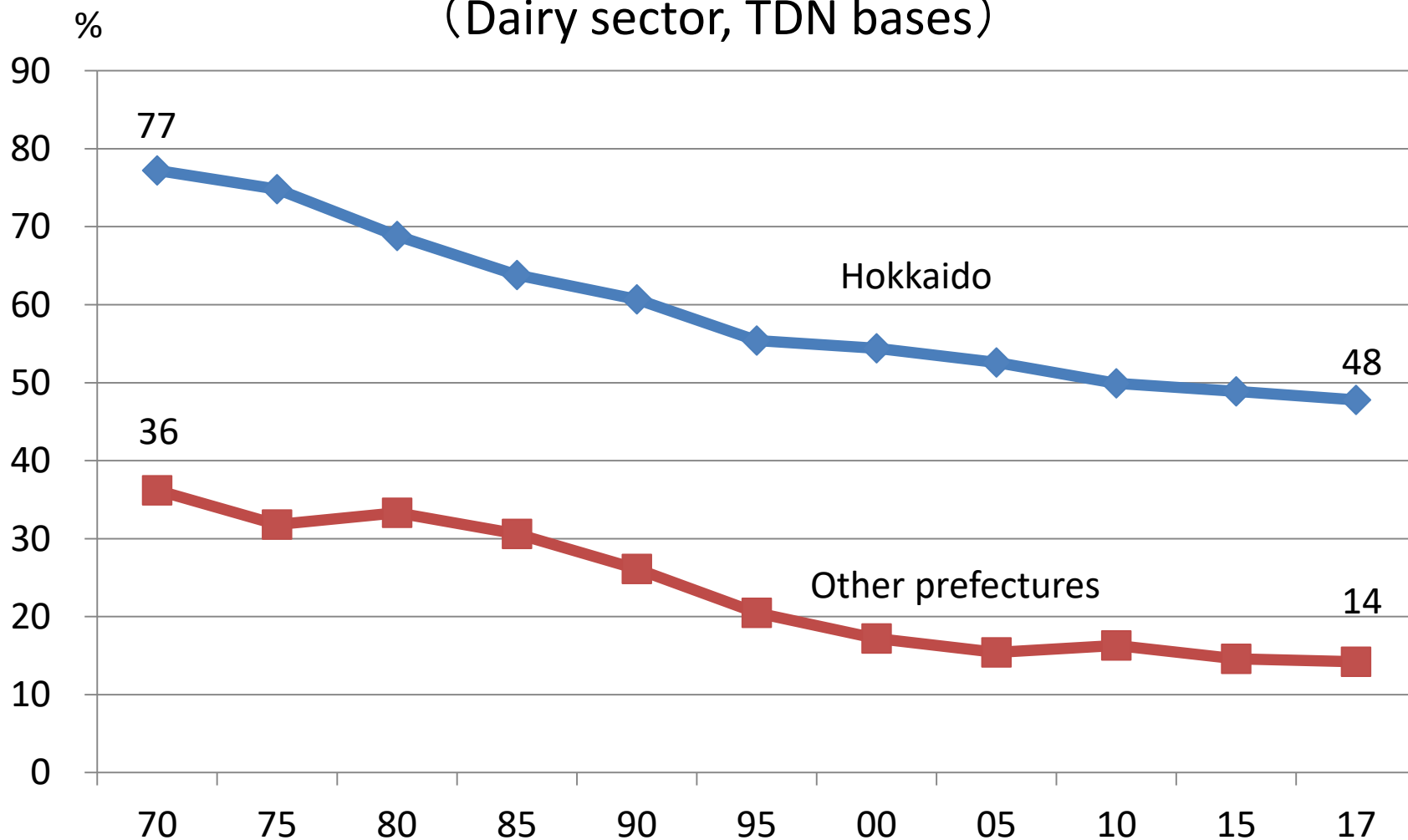
Production cost of raw milk



Purchased feed push up the cost.

Feed self-sufficient rate

(Dairy sector, TDN bases)

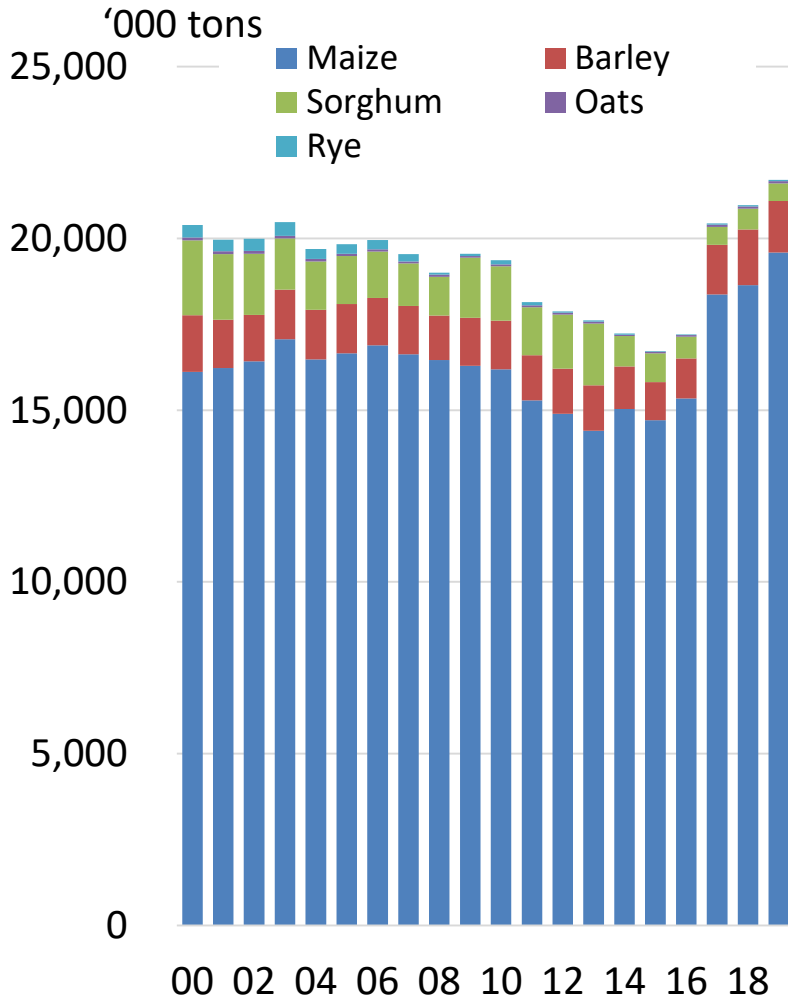


The rate is decreasing in both regions.

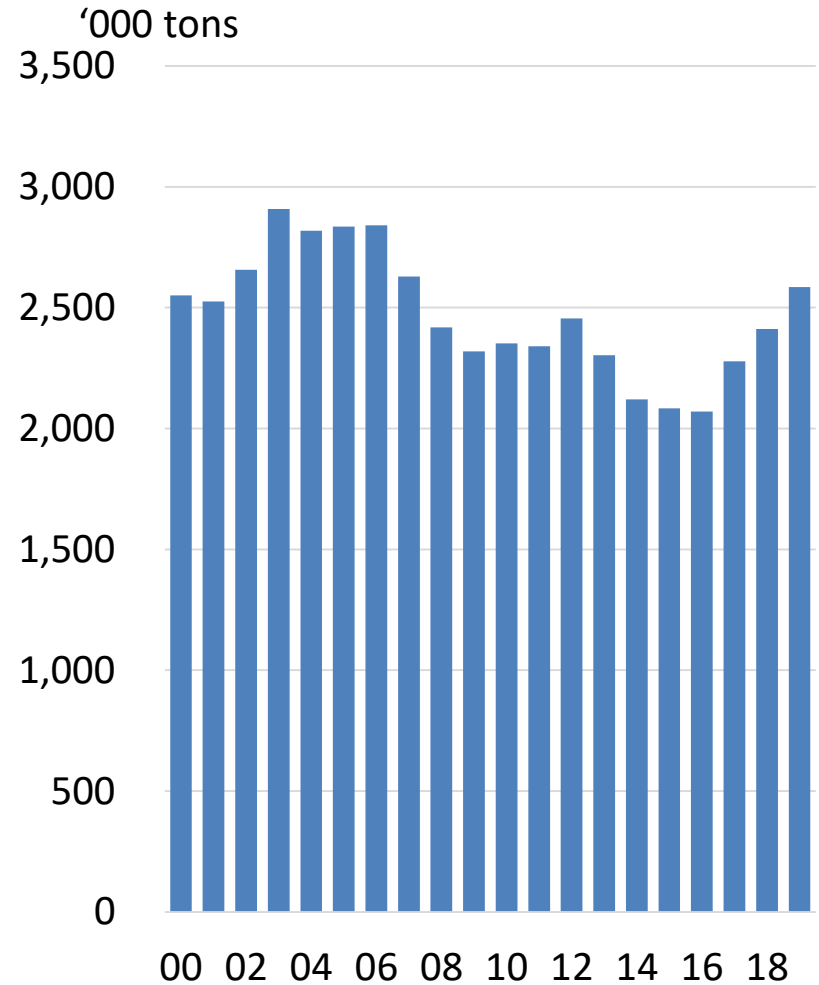
Source : MAFF Japan

Import of Feed

Feed Grain



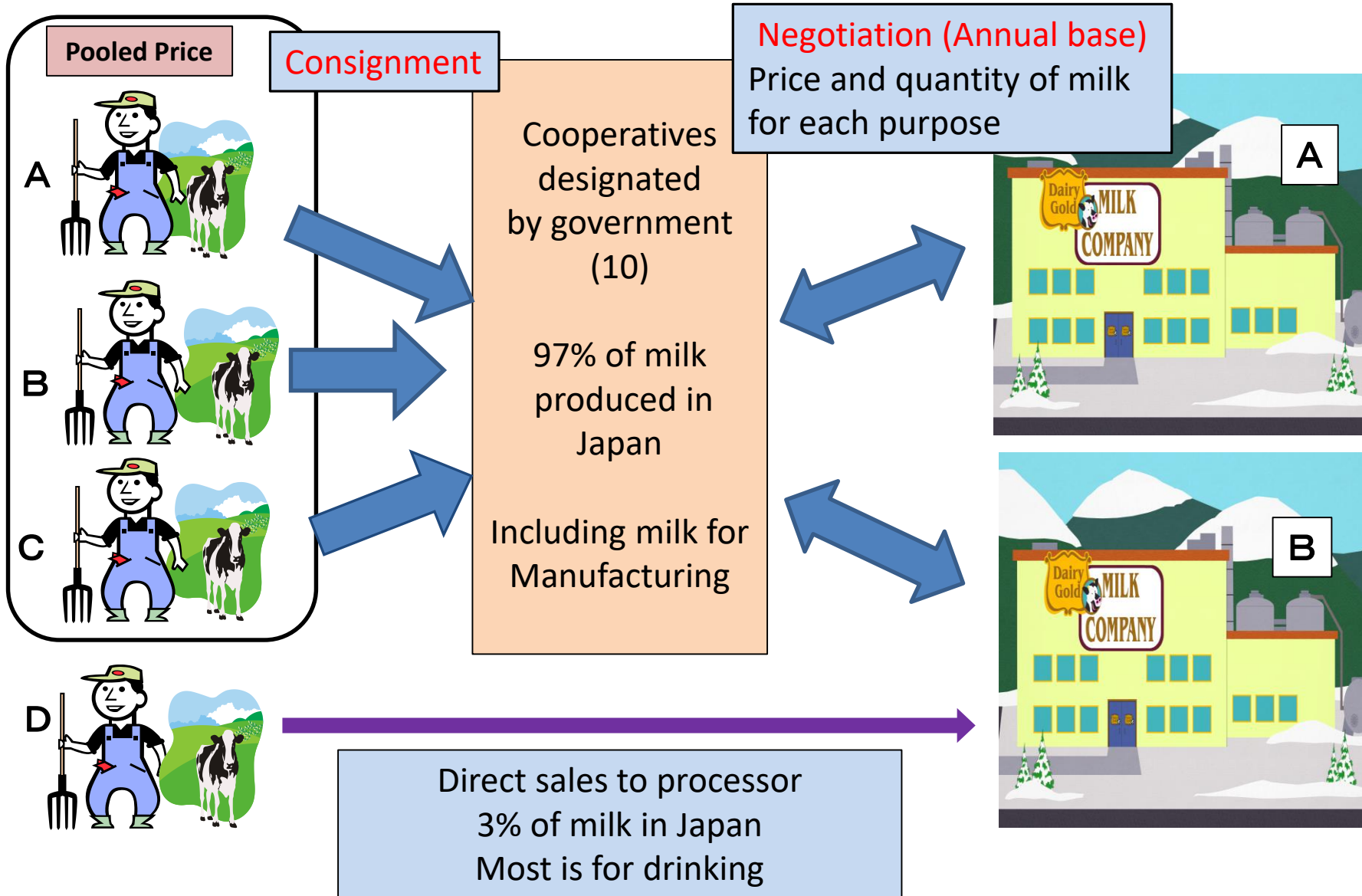
Hay



Japan is one of the world biggest feed importers.

Source: UNCOMTRADE

Raw milk transaction system



Raw milk prices

(“HOKUREN” FY2020)

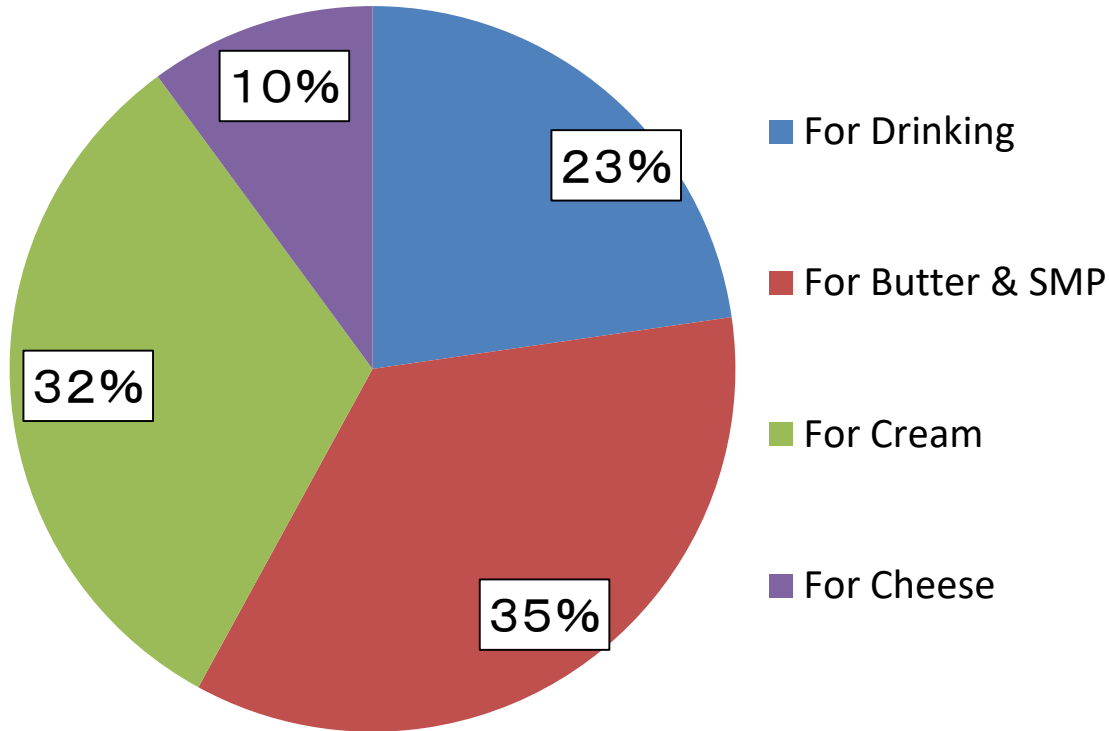
(Yen/kg)

Processing purpose	Price to processors	subsidy payment
Drinking milk	116.50	-
Fresh cream	81.50	10.85
Batter, SMP	75.46	10.85
Cheese	73.00	10.85

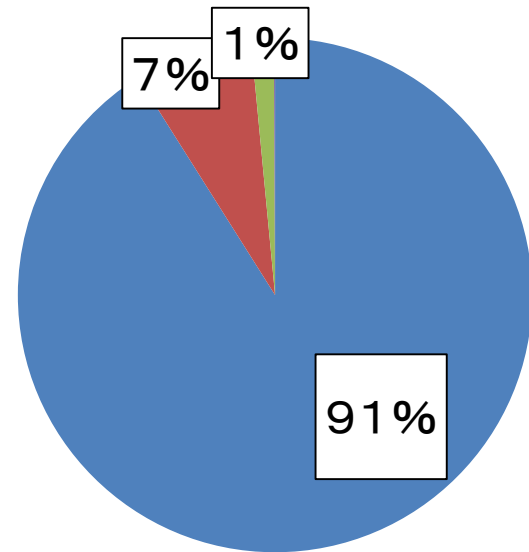
Government provide subsidy to make up for price difference.

Sales of raw milk

Hokkaido (FY2019)
3,928,000 tons

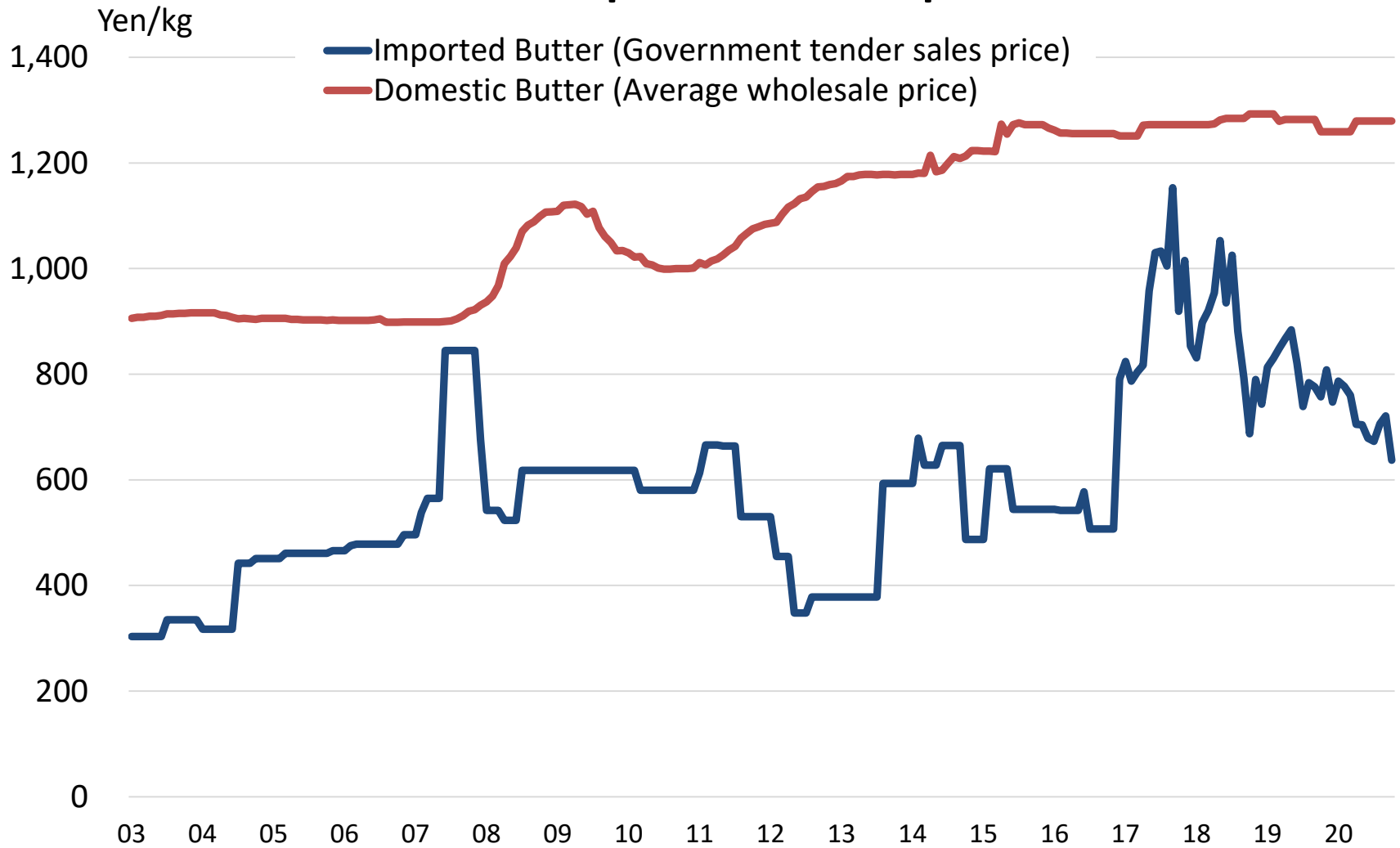


Kanto (Tokyo)
1,034,000 tons



Difference of the ratio affect pooled price of milk.

Butter price in Japan



Prices are separated.

Import system of Butter, SMP & Whey

(Administered by government)

Butter, Butter Oil, Dairy Spread, Skimmed Milk Powder, Whole milk Powder, Whey Powder, etc.

① TARIFF RATE QUOTA (Current Access Import by Government)
137,000 tons/year or more (Milk equivalent)
Tariff rate 25 – 35%

② TARIFF RATE QUOTA (For feed, school lunch, etc. by licensed importers)
Flow into specially closed market.
Tariff exempt

③ OUT OF QUOTA
No restriction of importers, import items and quantity.
Tariff rate for Butter 29.8% + 985 yen/kg
SMP 21.3% + 396 yen/kg

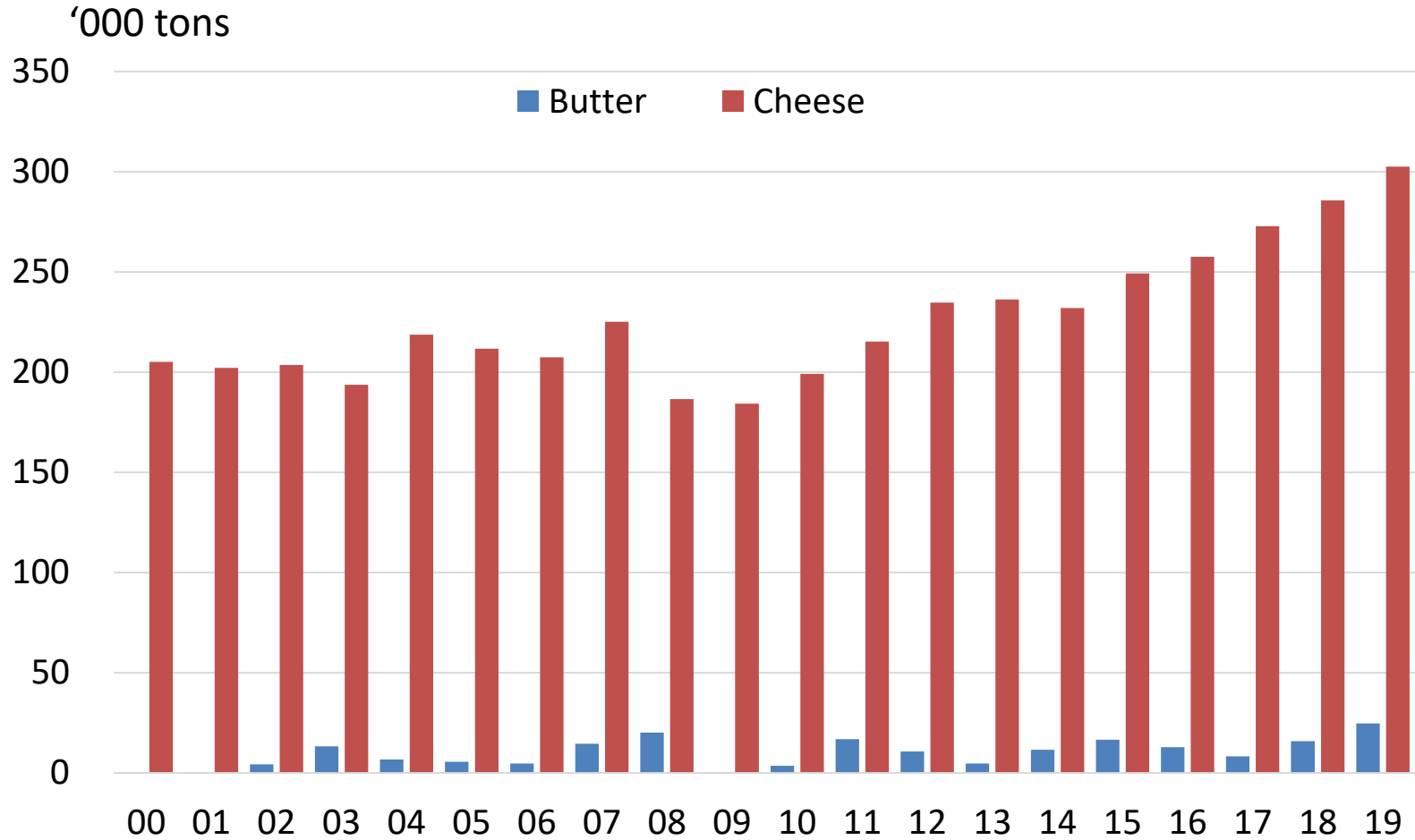
Tariff rate for out of quota is very high.

Import system of cheese

Item	Tariff rate	Note
Gouda cheese Cheddar cheese	29.8%	Import was liberalized in 1951
Mozzarella cheese Cream cheese Shredded cheese	22.4%	
Processed cheese	40.0%	Import was liberalized in 1989
Natural cheese for processing	0%	Quantity of domestic natural cheese usage × 2.5 or 3.5

Import has been liberalized from long time ago.

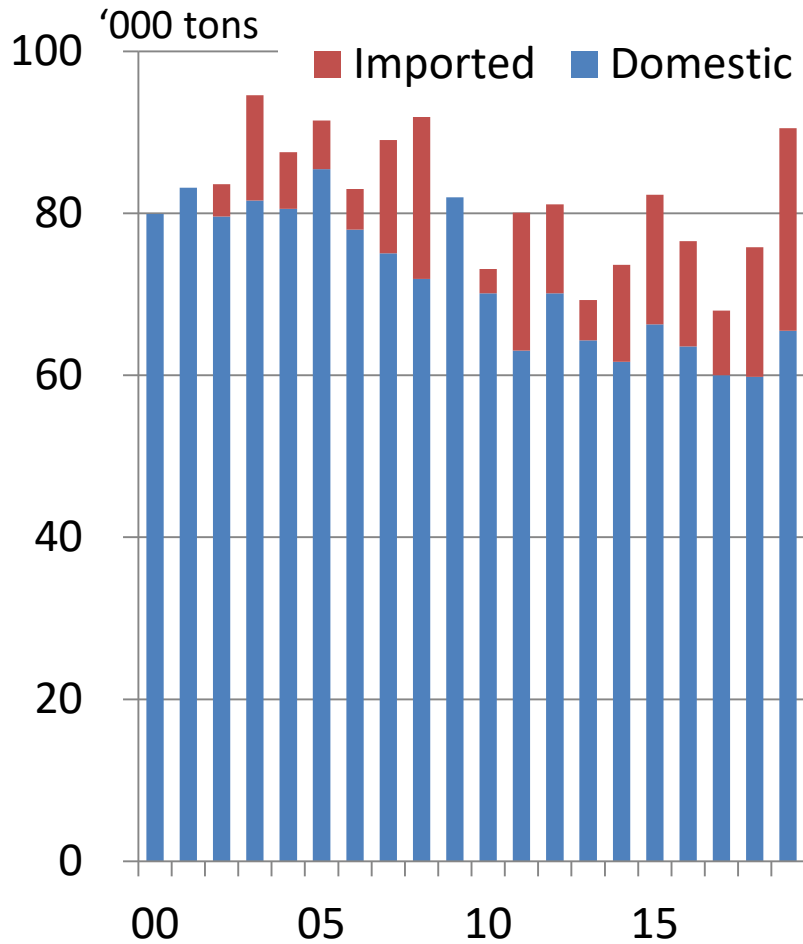
Import Quantity



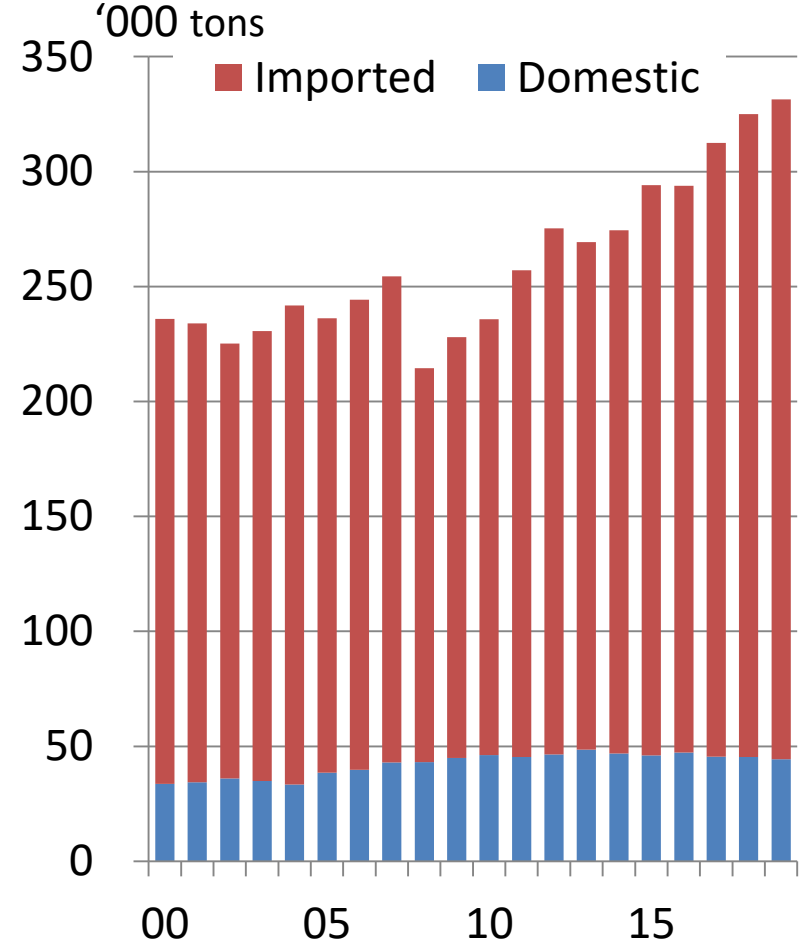
Japan is one of the world biggest cheese importers.

Share of domestic and imported

Butter



Natural cheese



Share in the domestic market is different.

TPP11 & EPA with EU

TPP11 (Dec.2018~)	EPA with EU (Feb.2019~)
<p>Introduce new TRQ for Butter & SMP (70,000 tons in milk equivalent bases)</p>	<p>Introduce new TRQ for Butter & SMP (15,000 tons in milk equivalent bases)</p>
<p>Abolish tariff of whey powder (29.8 % + 425 yen/kg → 0 %)</p>	<p>Reduce tariff rate of whey powder (29.8 % + 425 yen/kg → 17.5 % + 12 yen/kg)</p>
<p>Abolish tariff of hard type cheese (29.8 % → 0 %)</p>	<p>Abolish tariff of hard type cheese (29.8% → 0%)</p>
<p>No TRQ for soft type cheese</p>	<p>Introduce new TRQ for soft type cheese (31,000 tons in product bases)。</p>

Further market access was agreed.

Our challenge for the future

Objective	Means
Secure supply of domestic raw milk	Foster stable relationships of trust with producers in order to eliminate farmer's anxiety for future.
Stabilize the procurement of imported ingredients	Foster reliable relationships of trust with foreign suppliers through stable transaction.
Strengthen competitiveness of our products	Reduce cost of production. Improve quality of our products. Make continuous effort for sustainability.
Expand international business	Make use of existing foreign base and seek for new investment chance to expand our international business.



Thank you very much

See you again!

