agropur

2005 Annual Report

Agropur cooperative


Island FARMS
ICE CREAM
ICE CREAM
CRÈME GLACÉE
MANGO SWIRL
Vanilla plus YOGOURT
ISLAND FARMS
ICE MILK
No Sugar
Vanilla
Sealtest
Beurre salé
Allégro
OKA
Vanilla plus Smoothie
SAINT PAULIN
Lait Milk
HERSHEY
Oh Henry!
Natrel
Lactose Free
Sans lactose
Natrel
Lait 2%
Partiellement écrémé
Sealtest
2% MILK LAIT
PARTLY SKIMMED
PARTIELLEMENT ÉCRÉMÉ
Lait Milk
Café au Lait
Lait Milk
Selection
CHEESE BLEND
MÉLANGE DE FROMAGES
200 g

Refreshing presence

in your refrigerator

THE WORLD OF AGROPUR

Increasingly better-informed, modern consumers are very selective about the products they purchase and consume. Aware of the effects on their health, they are taking greater interest in the foods that garnish their plates. Consequently, manufacturers must have an impeccable track record, in addition to being upstanding corporate citizens. Suddenly, products can no longer be dissociated from their source. Times are changing, but it is reassuring to know that Agropur cooperative has managed to grow while remaining basically the same.

Presence, visibility, accessibility

Agropur cooperative has remained true to its origins and dairy vocation. Its special connection with the land, through its 4,060 members, keeps it in sync with nature and allows it to sound out the regions on a daily basis. Its 3,900 employees and numerous contract workers complete this human chain and keep it abreast of the market. Its product line, marked by nearly 70 years of achievements and innovations, is popular among wellness-oriented consumers, who appreciate its unequivocal approach.

At Agropur, human values flow from the source. And even though its activities now extend from coast to coast, as well as overseas, the organization continues to make it a duty and honour to treat its customers well. Its presence, visibility and accessibility via some thirty workplaces, including 21 plants, put it at the heart of the action. Indeed, the Cooperative's sales volume of over two billion dollars is an engine of economic growth.

Innovation

Agropur continues to flourish by capitalizing on the potential of dairy products. The possibilities of this highly diversified niche have by no means been exhausted, if one considers the 33% growth in the average weekly food expenditure per Canadian household for these types of products over the past 15 years*.

This innovative force, to which the Cooperative makes a substantial contribution, can be observed in consumers' refrigerators. It is also being acclaimed on the contest scene.

In 2005, the Canadian Grand Prix New Product Awards ranked the Cooperative at the top of the dairy product category for the fifth consecutive year. Agropur shares this honour with those who bring it one success after another.

Communications to members

Well-established among the front runners of the Canadian dairy industry, Agropur draws its strength from solidarity. Its member dairy producers form the main links of an impressive network, which extends into 15 regions throughout Quebec. Sustained by a team of over 900 animators and eight cooperative advisors, this network allows Agropur to sound out its environment on a daily basis.

THE STRENGTH OF COMMUNICATION	
Members	4,060
Animators	480
Animator-delegates	430
Administrative regions	15
Fiscal 2004-2005	
Meetings of the Board of Directors	13
Meetings of the Solidarity Committee [1]	5
Animators' meetings [2]	37
Annual meeting	1
Regional meetings [3]	19

1 Focus: associative life
2 Held regionally (April, September). Include a summer meeting (June) for all animators.
3 Two meetings per region in the larger regions

* Source: Statistics Canada

Reassuring presence in your environment

“THE QUALITY OF OUR COMMITMENT ENSURES THE QUALITY OF OUR ACTIONS AND PRESENCE.”

Message from the Chairman

As evidenced by this annual report, the theme of presence best evokes our cooperative reality. For nearly 70 years, the openness and receptiveness we have shown toward our environment have both sustained the organization and nurtured its growth.

“The Cooperative shall have no boundaries.” This vision of the founders, which accurately describes our path, still guides our steps. Our Cooperative owes much of its success to its business sense. The cooperative ideology is geared toward lasting achievements. Market development and the need to enhance our communication networks and get closer to the community are still among the main issues. These important concerns have the ultimate goal of keeping us healthy, both as a business and a cooperative.

At year-end, the members of the Board of Directors agreed to a repositioning exercise aimed at strengthening the Cooperative’s identity and reputation. An in-depth study showed that Agropur is known and respected in its province of origin, where the filial bond with its major labels is strongly felt. Outside Quebec, however, its reputation is not yet fully established, despite the presence of popular brands. Hence our desire to better manage this aspect so that the Agropur name has equal resonance in all Canadian provinces.

The two acquisitions made in British Columbia in October 2004 and January 2005, one by Ultima Foods and the other by Agropur, make our Cooperative a major player in this province and consolidate its national position. The three plants these acquisitions added to our network give us access to a dairy pool and the surrounding market, as well as a direct presence in this community.

Toward the end of the year, the members of the Board of Directors travelled to Western Canada to tour our facilities there and sound out what has become the Cooperative's third largest market, after Quebec and Ontario. Cooperative affinities always provide a good springboard for possible alliances. While very proud of these acquisitions, we remain on the lookout for opportunities and are pursuing discussions with other producer-processors. A context that is unfavourable today may prove favourable tomorrow.

Regarding the dairy scene, on-farm milk quality – a constantly evolving process – was the focus of new discussions, as part of the renewal of the milk marketing agreement. Since November 2005, new rules have been in effect allowing us to go ahead with our plan to improve the quality of milk produced in Quebec. The main goal is to achieve increasingly superior quality, while respecting the role of each stakeholder.

As a cooperative, it is important for us to maintain good relations with our members and to work with dairy producers toward a common cause: producing, processing and marketing quality products on a daily basis. Milk quality tops the list of the factors that are within our reach to increase competitiveness in the sector. Our know-how in the area of milk quality has been proven time and time again, but the process does not stop there.

For the past five years, some 150 countries have been negotiating the globalization of international trade under the aegis of the World Trade Organization (WTO). The Doha Round, which entered its intensive phase in October 2005, puts agriculture at the centre of negotiations. Given the importance of the issue, solidarity among all players on the Canadian dairy scene is definitely our best asset for taking a clear stand on such vital issues as export competition, internal support and market access. Until the outcome and effects of the negotiations are known, we will continue to maintain our support for the Canadian position advocating the protection of a marketing and supply management system that continues to serve us well, while being the envy of many producers from other countries.

While solidarity is crucial, our Cooperative's role must, more than ever, be considered in its integrity. The financial health of our organization is proving to be a strong lever for development and for the pursuit of our mission. This mission is to contribute to the prosperity of our members, by creating an economic value that is passed on to the regions. In concrete terms, patronage dividends to our members increased substantially from $26.4 million in 2000 to $65.7 million in 2005.

Obviously, these results were not achieved without effort. In this regard, I would like to thank our members and employees, and more particularly the management teams and Board of Directors, for yet another fine year. In closing, I salute those who represent us at various forums and organizations where Agropur is involved.

We all have the power to be ambassadors, if merely by encouraging the consumption of our products. It is fascinating to observe the scope of individual and collective gestures, as well as the ray of visibility they can generate. The key word is *presence*. This typically cooperative feature allows us to take action, set ourselves apart, while being a great source of pride.

Serge Riendeau
CHAIRMAN

“AGROPUR’S GROWTH DEPENDS ON A STRONG PRESENCE
IN ALL REGIONS THROUGHOUT THE COUNTRY.”

Message from the Chief Executive Officer

This year’s improved financial results helped reinforce the financial health of the organization, whose sales surpassed the two billion dollar mark for the very first time.

All business units posted a positive performance. Agropur, which was affected by a labour dispute at two plants last year, made the most of a calmer atmosphere, turning the situation to its advantage despite rising energy costs and certain projects striving to gain momentum.

The acquisition of two entities in British Columbia, the integration of which went smoothly, stands out as the turning point of the year. Island Farms is now teamed up with Division Natrel in the fluid milk sector, while Olympic Dairy gives Ultima Foods access to the organic yogourt niche.

In terms of investments, two major projects merit attention. The Granby cheese plant completed the first phase of upgrading work on its mozzarella production line. Ultima Foods is forging ahead with a multi-million dollar project aimed at expanding its production capacity. Its purchase of the building and land previously occupied by Agropur’s head office provided it with the necessary space to adjust to rapid growth.

As a result, the head office is now located in Longueuil, in a building that already housed several divisional offices. The move, completed in August 2005, made it possible to group most corporate services under one roof. All in all, approximately 200 employees now work on these premises.

In order for Agropur to establish itself firmly across Canada, its identity must be reinforced.

A recent study showed that these acquisitions, which have helped Agropur position itself in a Canadian business context and given it several strong labels, have blurred the corporate image by creating multiple identities.

In 2006, marketing and communications will be geared toward reestablishing "Agropur" as the sole banner of the organization and reinforcing its position throughout the country. It should be noted, however, that this undertaking is aimed mainly at consumers, since Agropur is well-known by the clients who deal with its divisions. The ultimate goal is to strengthen its reputation and project a clearer corporate image, for the benefit of the entire organization.

The impact will be felt primarily by Natrel, which remains a major brand, but whose name is accompanied by the word "Division" when referring to the entity. The Industrial Division is adopting the name of Cheese and Functional Products Division to better reflect its current vocation. The name of the Fine Cheese Division remains the same.

In the face of fierce competition, innovation continues at an accelerated pace that will only increase. This effort is paying off: the Cooperative distinguished itself for the fifth straight year at the Canadian Grand Prix New Product Awards, which proclaimed Minigo Duo the Dairy Product of the Year. And a succession waits in the wings since new products were introduced in every category over the year.

Major projects were completed, including the adoption of a new information management system for the Cheese and Functional Products Division's business processes. The other divisions also made headway, renewing two out of three collective agreements in the case of Fine Cheese and four agreements in the case of Natrel. The terms of these agreements range from four to seven years.

The dynamism of our committees continues to be a major asset. The occupational health and safety (OHS) policy was revised in order to focus more than ever on an accident-free work environment and to reaffirm the sharing of responsibility between executives, managers and employees for the collective good. In this regard, the annual general meeting of OHS committees provides an ideal forum for the participants.

A constant concern, the environmental issue will be managed more actively in order to promote standard practices and better-targeted actions. A coordination committee reporting to the environmental committee is now in charge of monitoring each entity's situation and ensuring better follow-up of corrective measures.

Like Ontario, Quebec also adopted a compensation regulation for municipal services regarding selective collection, which translates into an estimated additional cost of over one million dollars for the Cooperative.

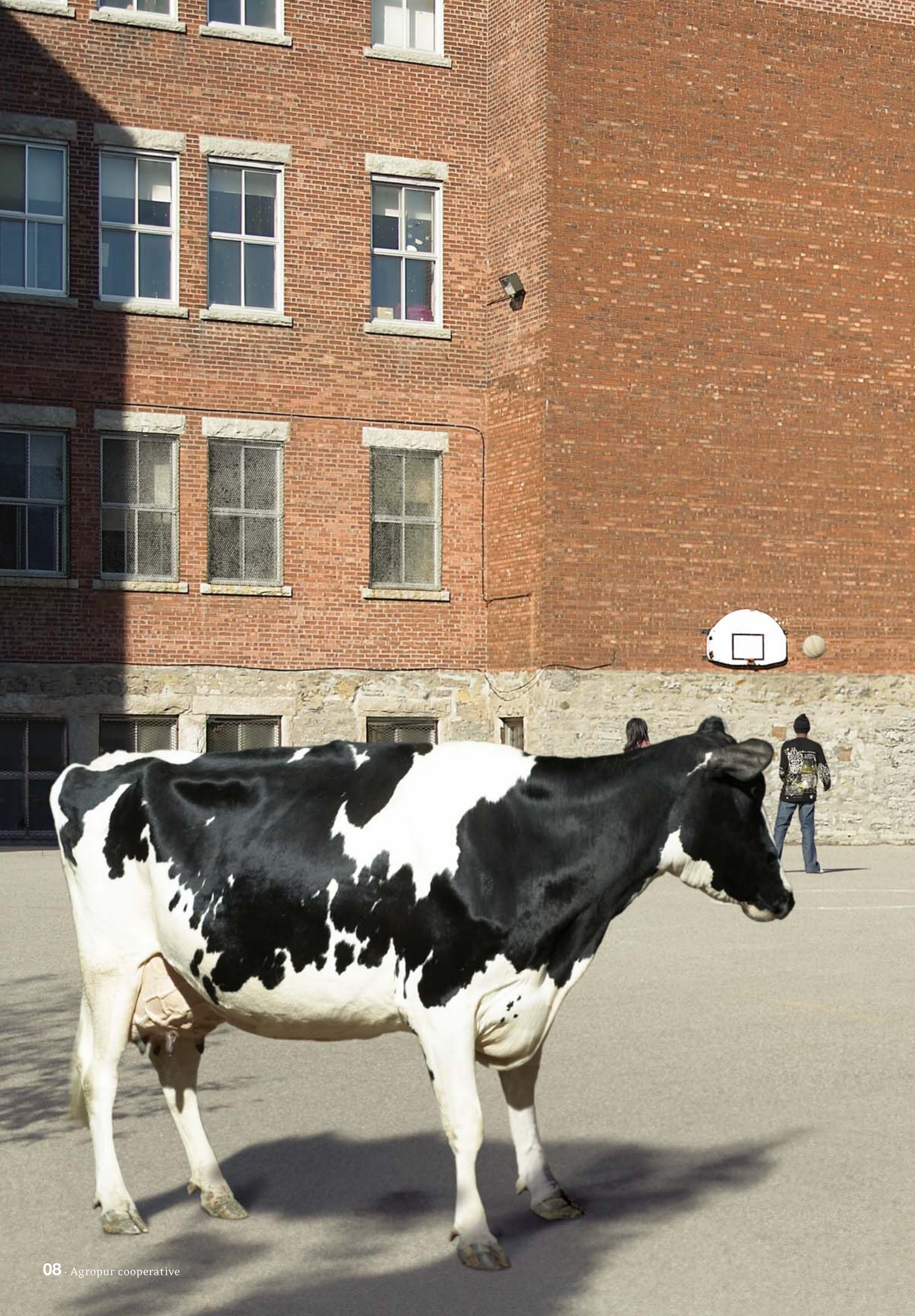
After nearly two years of intensive work, Agropur now complies with Health Canada's new nutritional labelling requirements. Nearly 200 in-house products served as the basis for analyses of 13 elements to establish the new nutritional charts. At least as many conversions were carried out for imported products. This change, effective since December 2005, highlights the health aspect of the Cooperative's product line.

On the Canadian dairy scene, the arrival of a European multinational and the foray of a national cheese sector leader into the fine cheese segment, through acquisitions, revived the competition. Another player, which ranks third on this scene, stepped up its activities in the market after regaining financial stability.

On the consolidation front, an increasingly limited number of acquisitions is having an ever-growing impact on markets. In terms of distribution, the acquisition of an Ontario food chain by a Quebec leader in the sector emerged as the highlight of the year. Globalization persists with the continuation of WTO negotiations and the Doha Round, centered on agriculture.

Our future success depends on our ability to implement new technologies and other projects. The impeccable quality of our products and a constant quest for acquisition possibilities stand us in good stead. Of course, these imperatives are supported by a human chain strengthened by values such as integrity, solidarity and professionalism. I would like to thank the members of the Board of Directors and the Management Committee, our member milk producers, and our employees and contract workers for their dedication. Together, we have the power to make our goals a reality.

Pierre Claprood
CHIEF EXECUTIVE OFFICER



ENERGETIC PRESENCE IN THE COMMUNITY

A RELIABLE PRODUCT LINE

Agropur shows exemplary dedication to consumers by providing them with a complete line of dairy products. More than ever, the Cooperative strives to ensure that the quality of its product, reflecting the know-how of those involved, constitutes the best guarantee of satisfaction.

Identity and visibility

A strong corporate identity is worth its weight in gold. A survey conducted in 2005 resulted in the decision to make the Agropur name the sole banner of the organization. The launching of a corporate Web site linked to the existing marketing sites will underline this measure.

In keeping with tradition, our cheeses made an excellent showing at the Royal Agricultural Winter Fair, the British Empire Cheese Show and the Sélection Caseus contest. Of note is the fact that Brie triple crème Chevalier walked away with both the “Prix de la presse” and the “Prix du public” at the latter event.

The highlight of the year remains the organization’s outstanding performance at the Canadian Grand Prix New Product Awards, where the title of “Dairy Product of the Year” was received for the fifth consecutive year. Minigo Duo, the last product to achieve this feat, actually had to compete with Natrel Café flavoured creams in the finals.

Ultima Foods sees the Grand Prix granted to Minigo Duo as a guarantee of success. This award is all the more valuable given the fact that the contest is organized by the Canadian Council of Grocery Distributors, comprising mainly retailers and wholesalers - hence clients, and that the choice is made by an independent jury. The results are already evident: Minigo Duo has achieved the level of growth of Minigo, Canada’s first fresh cheese introduced in 1993.

A year full of novelties

Crinolac 1800 made its mark as the first functional dairy ingredient to be produced by the Cheese and Functional Products Division. In the protein concentrate line, this discovery emphasizes the potential of whey protein through its whipping, jellifying, emulsifying and heat-resistance properties. A major outlet if one considers that dairy ingredients represent about 18% of the Division’s sales volume.

Prestigio Ricotta has already positioned itself as a key element of Italian cuisine, in a very promising segment, by winning the support of chefs before wooing the general public. Thematic promotions continue to provide excellent reasons for sharing delicious recipes with consumers. Innovation is also conveyed through imported cheeses such as Swiss Le Superbe, Babybel Light and Rondelé.

The Natrel Warmers heat-and-serve beverage, available in three unconventional flavours, invites relaxation. Often on the run, consumers are increasingly on the lookout for this type of treat.

Champion products

A veritable phenomenon, Natrel Lactose Free is making its way into the Maritimes, after conquering Quebec and Ontario.

The fresh dairy product sector is in full swing. Ultima Foods posted the best performance in its entire history in terms of sales, volumes and earnings, and held its own against rather fierce competition, thanks mainly to such champion products as Yoplait Source, Yop and Minigo Duo. Even though each dominates its respective niche, market volatility is causing the joint venture to exercise caution and promote innovation.

Making products more practical and attractive is another aspect of innovation. Presented in individual bottles for people on the move, Natrel flavoured milks, OhHenry! and Hershey milk shakes, as well as Natrel Nutrition 24, have gone for a more striking look. Like Natrel Café creams, they have adopted shrink-wrap packaging highlighting their milk contents and health benefits.

Fine cheeses are capitalizing on innovation and Ricotta Prestigio is a good example. The focus is also on improving the product line. Great contest favourites, Délicrème cheeses have enhanced their profile in terms of texture and packaging. Their range of flavours has also been revisited. Plain Allégro cheese is making quite an impression with its strong sales growth. The campaign *To Your Health* highlighted the outstanding performance of this light product, as well as that of Jarlsberg Light and Havarti Danesborg Light - also very popular.

Yoplait Delicieux and Yoplait Tubes have spruced up their appearance. Yoplait Basket Fat Free used the transformation of its packaging to accent its probiotic virtues. Yoplait Source took advantage of this opportunity to launch its Dessert Selection line, mainly via promotions and televised advertising campaigns.

The organization profits from its ability to predict market trends. In August 2005, Olympic Organic yogourts arrived in Quebec, ready to build on their success in British Columbia. While the organic segment represents barely 3% of the Canadian yogourt market, its potential cannot be ignored.

IN TUNE WITH THE COMMUNITY

Community involvement was stronger than ever in 2004-2005. Agropur continued to focus on the food and health sectors, as well as on well-structured organizations.

One of these organizations, the Club des petits déjeuners du Québec, a model that serves as a source of inspiration for the U.N., is present in more than 180 schools and among 13,000 children each day. For its part, the Fondation OLO (Oeuf-Lait-Orange) (Egg-Milk-Orange), which collaborates with 140 CLSCs and health centres throughout Quebec, provides support to 6,000 pregnant women in need.

The approach, which promotes healthy eating habits, the birth of healthy babies, and learning among school children, is evidence of these partners' effectiveness in breaking the vicious circle of poverty.

For the past ten years, Agropur, who is represented on the Boards of Directors of each of these organizations, has provided a basic product - milk. In 2005, the Cooperative committed itself to providing them with financial assistance of $100,000 and $74,000, respectively.

EFFICIENT ENTERPRISES ARE INNOVATIVE ENTERPRISES
THAT RELY ON THE TALENT OF THEIR EMPLOYEES.

Agropur increased its involvement in the community, renewing certain partnerships and concluding new alliances.

Québon, a preferred brand of Quebecers, uses its visibility to give back to the community: its milk containers serve to promote humanitarian causes. In March 2005, Québon teamed up with OLO, combining Nutrition Month with a fundraising campaign. In addition, its name was associated with the Téléthon Opération Enfant Soleil in a campaign that brought in 13 million dollars. In November 2005, 7.6 million Québon containers endorsed the Grand Radiodon RockDétente in support of the Club des petits déjeuners.

As part of a partnership that has spanned eight years, Natrel participated in the 30th skating season of Toronto's Harbourfront Centre. Natrel also sponsored a safari to the Toronto Zoo to benefit Ronald McDonald House and sick children.

Several employees contributed to the success of collective celebrations. The Sealtest sleigh was once again part of the Santa Claus Parade organized by the city of Chilliwack, in British Columbia. In the same province, Island Farms took part, for the 12th time, in the Island Farms Victoria Day Parade. Thanks to Division Natrel employees, the *ReUse a Shoe* project is becoming entrenched in Ontario. Thousands of old running shoes are recycled by Nike in order to be converted into a sports centre dedicated to an underprivileged community in northeast Toronto.

Held in 40 Canadian cities, the CIBC Run for the Cure, in support of the Canadian Breast Cancer Foundation, received massive support from some 525 Ultima Foods employees and their family members, in both Montreal and Toronto. As a prelude to this event, advocates of the *Source of Hope* campaign used the covers of Yoplait Source products to raise public awareness of this activity. Based on the units sold, Ultima made a donation of $80,000 to the Foundation. As a result of its employees' participation in the Run, its contribution totalled $100,000.

The Agropur employees' fundraising campaign, which has grown steadily since its inception six years ago, is a model of success. Standing at $65,000 in 2004, the proceeds, which are doubled by the employer, came close to $97,600 in 2005. In keeping with the wishes of local donors, the funds are distributed among a dozen regional organizations.

In November 2005, Agropur got together with its dairy sector partners and Quebec's food banks to underline the distribution of the one millionth litre of milk, as part of a provincial program of voluntary donations spread over the year. This three-year-old partnership involves every link in the milk chain, namely, producers, processors and distributors. A similar program exists in Ontario. Between December 2004 and November 2005, Division Natrel processed 378,560 litres of the total amount of milk donated.

Lastly, Agropur took part in activities celebrating the 20th anniversary of SOCODEVI, société coopérative pour le développement international. With about thirty missions to its credit, Agropur, which has been a member of this international aid network since its beginnings, claims victory each time a population learns to use cooperation to overcome poverty and take its economy into its own hands.

Constructive presence in the economy

A NATIONAL SCOPE

Hailed as a world-class enterprise, Agropur is putting its national expansion strategy into action. Solidly anchored in Quebec, the Cooperative has made inroads into three other Canadian provinces – namely, Ontario, Alberta and British Columbia – in addition to operating the U.S. cheese plant, Deutsch Käse Haus, acquired in 2002.

Agropur relies on teamwork to generate quality and innovation. Buoyed by its successful showing in large-scale competitions, including the World Championship Cheese Contest, its product line, available throughout Canada and on certain export markets, constitutes the best selling point for its expansion projects.

The integration of Olympic Dairy and Island Farms into the family circle strengthens the Cooperative's position in British Columbia and at the national level. The benefits are also reflected on distribution, since each entity is preceded by a prestigious reputation. Their corporate cultures, which give special importance to community involvement, provide added value.

Win-win relationships

For a relationship to work, each party must benefit.

Thanks to Olympic, Ultima Foods has made an initial foray into the organic culture products market, where yogourt showed substantial growth compared with 2004. By acquiring Island Farms, Division Natrel has strengthened its position in a market where it has been present since 1998 through its Chilliwack plant. With Agropur's support, the acquired entities can look forward to healthy growth within a solidly established line and network.

Based on the announcement made at the time of the October 2004 transaction, Olympic is already branching out beyond its province of origin, with the launching of its Organic line in Quebec last August.

Common ideals, professionalism, concern for product quality and customer service, and several other converging values, including community involvement, facilitated the integration. The synergy resulting from the adoption of standard practices leads to increased efficiency.

For this gem of cooperation that is Agropur, the economic impact begins with an energetic presence in the community.

Distinctive quality

Backed by a strong relationship with its clientele, the Fine Cheese team serves as a reliable benchmark for all its partners. Training sessions adapted to the needs of several Canadian food chains and covering the characteristics and origins of these cheeses, as well as their in-store presentation, allow the team to set itself apart while conveying its passion for cheese to their personnel.

Division Natrel has a knack for overcoming obstacles. Caught between sales stemming mainly from regular milk and high market expectations for added-value products, Division Natrel compensates for reduced manœuvrability through innovation and competitiveness. Absorbing a large share of specialized milk production, as well as the demand resulting from the success of certain feature products, including Natrel Omega-3, the Saint-Laurent plant is developing alternate solutions for a capacity that is reaching its peak.

Competitiveness

The Toronto site is adapting to the state-of-the-art technology it acquired in 2004. Its distribution is based on a computerized, production-linked process, which was reassessed for performance enhancement purposes.

Occupational health and safety provides an effective angle of attack for increasing competitiveness. Acknowledging the fragility of life already gives us a valid argument for making OHS a collective issue. Everyone – from supervisors to managers to support employees – is asked to rise to this challenge, which has been the subject of regular training.

Markets dictate their laws and businesses must adapt. The Saint-Alexandre plant closed its doors due to the underutilization of its facilities. The Beauceville plant, which benefits from diversification, now manufactures cheese during peak periods. After enhancing and diversifying its operations, the Alberta cheese plant, Sunnyrose Cheese, saw its production increase substantially. The U.S. cheese plant Deutsch Käse Haus, which is feeling the effects of price volatility on this market, now reports to the Cheese and Functional Products Division, with which it has more in common.

LOOKING TOWARD THE FUTURE

Ultima Foods, which has maintained annual growth of 10% over the past ten years, will go ahead with the modernization work involving the improvement of processes and the acquisition of new equipment. Marketing, distribution and inventories are part of this undertaking, along with research and development, while health is the focal point of innovation. A high level of expertise and a close relationship with customers and consumers enhance the results of this collective effort.

The unfavourable decision handed down by the WTO in 2002 regarding Canadian dairy product exports is in the past now for the Industrial Division, which has been recently renamed Cheese and Functional Products Division to reflect its new orientation. This change in direction allowed it to establish itself in the retail market through private labels, without, however, neglecting industrial productions.

Relying on flexibility, adaptability and teamwork, it will strive to consolidate the results of this development. Expansion is part of its strategy: for example, the Division is taking on the retail and food services market in Ontario. Thanks to constructive work relations and the optimization of processes, investments are paying off. A distinct and more precise strategy has been adopted for dairy ingredients following the approval of a development plan.

The Granby cheese plant completed the initial phase of a project aimed at upgrading its mozzarella production line, the effects of which should be felt in early 2006.

Major steps

The Cheese and Functional Products Division revamped its management information systems, which tied up a number of resources for several months. In addition, it provided appropriate training to the 500 users concerned. The launch involved about fifty employees, who ensured that the impact on customers was minimized.

Fine cheeses experienced a more difficult year. Overwhelming market supply put strong pressure on high-end products. However, Agropur's rich experience gives it considerable visibility and brings it increased volumes year after year. The appointment of specialists to key positions will channel innovative energy into the distribution, marketing and development of new products. The launchings held in late 2005 reflect these improvement measures.

The Saint-Hyacinthe cheese plant continues to increase its mastery of a state-of-the-art technology. Better still, after substantially reducing the number of accidents in 2004 and reviewing its preventive approach, the plant ranked among the finalists of the regional chapter of the 2005 *Innovation* contest organized by the CSST (Quebec's work safety insurance bureau).

Freshness, quality, diversity… on the daily menu

As a supplier of a basic product, where freshness, good taste and nutritional value are the key to satisfaction, Agropur sets itself apart through its diligent presence. Its ability to bridge the gap between farm and table and maintain daily contact with the architects of the food chain constitutes its mark of distinction.

Thus, day after day, thousands of customers and consumers rely on the regularity and quality of its service. Being at the right place at the right time and satisfying expectations are challenges met quite naturally by the Cooperative.

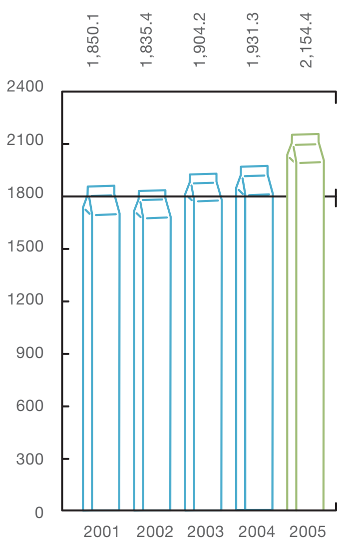
Diversity fulfills all other desires. Today, Agropur's product line extends far beyond the basic range of milk, butter, cream, powder and cheddar. Fun, health, vitality, relaxation and comfort are among the benefits derived from innovation.

The result? Agropur now offers a thousand and one ways of slowing down or spicing up everyday life. And the element of surprise is always welcome!

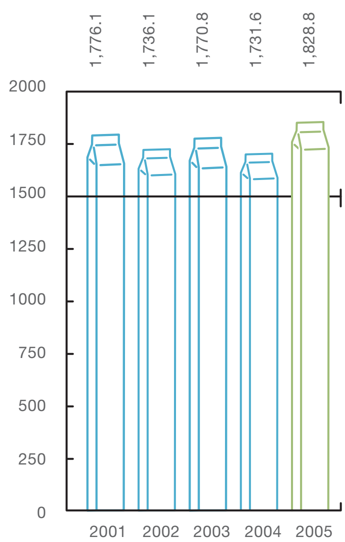
HIGHLIGHTS

		2005	2004
Sales	(in millions of dollars)	**2,154.4**	1,931.3
Milk processed	(in millions of litres)	**1,828.8**	1,731.6
Earnings before patronage dividends	(in millions of dollars)	**97.1**	82.3
Asset acquisitions	(in millions of dollars)	**35.9**	39.9
Total assets	(in millions of dollars)	**774.4**	690.0
Number of members		**4,060**	4,200
Number of employees		**3,900**	3,475

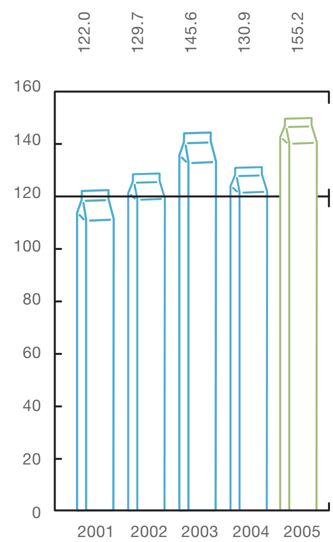
THE PAST FIVE YEARS



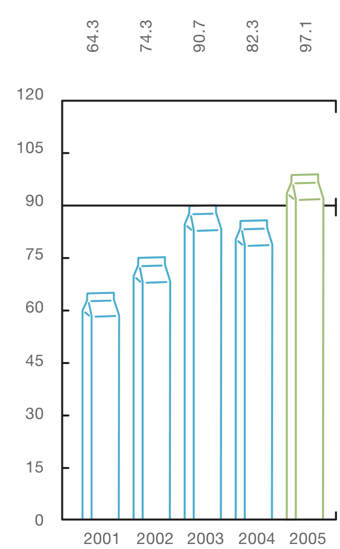
Sales
(in millions of dollars)



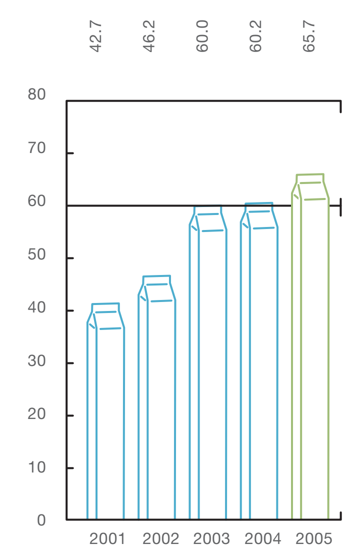
Milk processed
(in millions of litres)



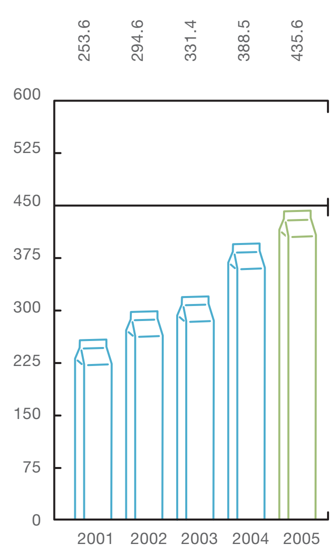
EBITDA*
(in millions of dollars)



Earnings before patronage dividends
(in millions of dollars)



Patronage dividends
(in millions of dollars)



Equity
(in millions of dollars)

* Earnings before patronage dividends, interest, taxes, depreciation and amortization

FINANCIAL REVIEW

In 2005, for the first time in its history, Agropur saw its sales surpass the $2 billion mark. Earnings, which were affected by a major labour dispute in 2004, also rose sharply.

Results

Sales increased by $223 million, reaching $2.154 billion. The acquisition of Island Farms in January 2005 accounted for $83 million of this total. The volume of milk available to the cheese divisions rose by 5% after sustaining the negative impact of last year's labour dispute. Ultima Foods experienced a significant growth again this year, with a major increase in volume stemming from Olympic Dairy Products, acquired at the end of fiscal 2004.

Operating earnings stood at nearly $102 million compared with $85 million a year earlier. While they were affected substantially by last year's labour dispute, the Cheese and Functional Products Division's earnings benefited from the larger volume of available milk and from the transfer of butter and powder activities to cheese activities. The improvement at Division Natrel was mainly due to acquired activities. For its part, Ultima Foods posted strong growth as the result of additional volumes. The Fine Cheese Division had to contend with increasingly fierce competition in this segment, as well as with different incidents, and the fact that the U.S. subsidiary experienced its second difficult year. In this regard, the Cooperative has recorded an impairment of the goodwill for an amount of $3 million.

The Cooperative's earnings before patronage dividends and income taxes stood at $97 million. The Board of Directors approved patronage dividends of 5.7% of the value of members' milk deliveries, for a total amount of nearly $66 million. Last year, patronage dividends were maintained at the same level despite the drop in earnings. These dividends are payable in a proportion of 25% cash and 75% investment shares.

Cash flow

Cash flow from operations reached $140 million, an increase of $18 million. The $18 million decline in non-cash items was due mainly to accounts payable, since several disbursements were made at the beginning of fiscal 2006, and to income taxes, since provisional payments were exceptionally low in 2005. Investments required net expenditures of $87 million, including the business acquisition. Payments to members totalled $39 million. In 2004, the annual redemption of capital of active members was moved up to the end of the previous year.

Balance sheet

The financial situation improved once again in 2005. Non-cash assets stood at $675 million, an increase of $57 million, due largely to the purchase of Island Farms. During the same period, equity rose by 12% to reach $435 million.

Conclusion

Agropur managed to finance its expansion projects internally in 2005. With increasingly fewer opportunities, future projects may require major funds; hence, the need to maintain a healthy financial position and considerable flexibility.

Benoit Gagnon
CHIEF FINANCIAL OFFICER

AUDITORS' REPORT

December 7, 2005 (December 19, 2005 for note 5)

To the Members of Agropur cooperative

We have audited the consolidated balance sheet of Agropur cooperative as at October 29, 2005 and the consolidated statements of earnings and reserve and cash flows for the year then ended. These financial statements are the responsibility of the Cooperative's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Cooperative as at October 29, 2005 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants

PricewaterhouseCoopers refers to the Canadian firm of PricewaterhouseCoopers LLP and the other member firms of PricewaterhouseCoopers International Limited, each of which is a separate and independent legal entity.

CONSOLIDATED STATEMENT OF EARNINGS AND RESERVE

(in thousands of dollars)	notes	2005	2004
Sales		2,154,446	1,931,271
Operating expenses	4	2,052,792	1,845,954
Earnings from operations before the following items		101,654	85,317
Net financial expenses	4	38	522
Gain on disposal of assets		(142)	(10)
Income taxes of subsidiaries and joint ventures		4,610	2,529
Earnings before patronage dividends and the Cooperative's income taxes		97,148	82,276
Patronage dividends	5	65,650	60,188
Cooperative's income taxes		11,200	7,444
Net earnings		20,298	14,644
Reserve - Beginning of year		129,450	114,806
Reserve - End of year		149,748	129,450

CONSOLIDATED STATEMENT OF CASH FLOWS

(in thousands of dollars)	notes	2005	2004
CASH FLOWS FROM			
Operating activities			
Earnings before patronage dividends and the Cooperative's income taxes		**97,148**	82,276
Cooperative's income taxes payable		**(9,601)**	(5,705)
Items not involving use of funds			
Depreciation and amortization		**53,506**	45,692
Future income taxes of subsidiaries and joint ventures		**(327)**	(186)
Other		**(136)**	(9)
		140,590	122,068
Change in non-cash items	6	**18,664**	(50,946)
		159,254	71,122
Financing activities			
Issuance of long-term debt		**-**	4,500
Repayment of long-term debt		**(6,428)**	(42,145)
		(6,428)	(37,645)
Investing activities			
Business acquisition	3	**(55,100)**	(4,650)
Purchase of fixed assets		**(35,920)**	(39,928)
Proceeds on disposal of assets		**2,851**	444
Variance on cross-currency swap agreement renewal to hedging		**1,193**	753
		(86,976)	(43,381)
Activities with members and on share capital			
Patronage dividends payable in cash	5	**(16,412)**	(15,047)
Issuance of shares	14	**76**	129
Redemption of shares	14	**(22,473)**	(2,802)
		(38,809)	(17,720)
Net change in cash position during the year		**27,041**	(27,624)
Cash and temporary investment - Beginning of year		**72,460**	100,084
Cash and temporary investment - End of year		**99,501**	72,460

CONSOLIDATED BALANCE SHEET

(in thousands of dollars)	notes	October 29, 2005	October 30, 2004
ASSETS			
Current assets			
Cash and temporary investment		**99,501**	72,460
Accounts receivable		**123,467**	116,660
Inventories	7	**185,828**	164,418
Income taxes		**-**	4,277
Prepaid expenses		**9,104**	9,760
Future income taxes	8	**2,476**	2,392
		420,376	369,967
Fixed assets	9	**256,304**	218,569
Other assets	10	**97,726**	101,462
		774,406	689,998
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	12	**285,468**	249,528
Income taxes		**6,394**	-
Current portion of long-term debt	13	**4,330**	4,928
		296,192	254,456
Long-term debt	13	**27,367**	33,197
Future income taxes	8	**15,240**	13,877
		338,799	301,530
EQUITY			
Share capital	14	**285,859**	259,018
Reserve		**149,748**	129,450
		435,607	388,468
		774,406	689,998

Approved by the Board of Directors

Serge Riendeau
DIRECTOR

René Grimard
DIRECTOR

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. STATUTES OF INCORPORATION

Agropur cooperative ("the Cooperative") was established on August 29, 1938 under the Act Respecting Cooperative Agricultural Associations and, since October 26, 2000, has been governed by the Canadian Cooperatives Act.

2. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements include the accounts of the Cooperative and its subsidiaries as well as its share of the assets, liabilities, revenues and expenses of joint ventures.

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts in the financial statements.

Inventories

Finished goods and goods in process are valued at the lower of average cost and net realizable value. Raw materials are valued at the lower of cost and replacement value, cost being determined under the first-in, first-out method.

Fixed assets

Fixed assets are recorded at cost, net of applicable government grants.

Depreciation is calculated over the estimated useful lives of the assets based on the following methods and rates:

· Buildings	Diminishing balance	5%
· Equipment	Diminishing balance	15% and 20%
· Office furniture	Diminishing balance	20%
· Computer equipment	Straight-line	20% and 25%
· Rolling stock	Diminishing balance	30%

Other assets

Other assets consist mainly of goodwill which is amortized on a straight-line basis over periods not exceeding 20 years. The Cooperative determines if a permanent impairment in the value of goodwill has occurred. To support this valuation, the Cooperative determines mainly whether estimated future cash flows on an undiscounted basis exceed the net book value of assets purchased.

Furthermore, deferred charges for procurement contracts are accounted for and amortized on a straight-line basis according to the duration of the agreements.

Employee future benefits

Following the review of Section 3461 of the Canadian Institute of Chartered Accountants' Handbook in 2004, the Cooperative applied the new supplemental disclosure standard related to assets, cash flows and net cost benefit for defined benefit plans. The effect of adopting the new recommendations does not have an impact on the statement of earnings.

The Cooperative accounts for its obligations under the employee benefit plans and related costs net of the plan assets. The cost of pension and other retirement benefits earned by employees is determined from actuarial calculations according to the projected benefit method prorated on years of service based on management's best estimate assumptions about the investment returns on the plans, salary projections and the retirement ages of employees. Assets and accrued benefit obligations are evaluated three months before the date of the financial statements. The fair value of assets is determined using the fair market value. The estimated rate of return on the plan assets is based on the long-term estimated rate of return and the value of the plan assets assessed at fair value. The excess of the net actuarial gain (loss) over 10% of accrued benefit obligations, or over 10% of the fair value of the plan assets where such amount is higher, is amortized over the average remaining service life of employees. The cost of past services resulting from changes to the plans is amortized over the average remaining service life of employees.

Income taxes

Income taxes are accounted for using the liability method of tax allocation. Under this method, future income taxes are calculated on the difference between the tax basis and the carrying amount of the various assets and liabilities. Future income tax assets and liabilities are measured using the tax rates that are expected to be in effect in the years when the timing differences are expected to reverse. Income tax assets are recognized when it is more likely than not that the asset will be realized.

Translation of foreign currencies

Foreign currency transactions

Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the exchange rate prevailing at the balance sheet date, whereas transactions denominated in foreign currencies are translated at the average monthly exchange rates for the period. The resulting foreign currency translation gains and losses, net of hedging operations, are included in the statement of earnings.

Foreign operation

All assets and liabilities of the self-sustaining subsidiary operating in the United States are translated into Canadian dollars at the exchange rate prevailing at the balance sheet date. Revenues and expenses are translated at the average exchange rates for the period. Foreign currency gains and losses are mitigated through hedging operations using cross-currency swaps.

Hedging

The Cooperative documents the risk management strategy for establishing the relationship to apply hedge accounting. At the signing of the hedging contract, management documents the hedged item (an asset, a liability or an anticipated transaction), details of the hedging instrument used and the valuation method of effectiveness. Realized gains or losses on hedges are deferred until realization of the hedged item for best matching in the statement of earnings.

3. BUSINESS ACQUISITION

On January 30, 2005, the Cooperative acquired the assets of Island Farms, a dairy cooperative in Western Canada, for a cash consideration. The purchase price allocation is detailed as follows:

(in thousands of dollars)

Assets acquired	**65,244**
Liability assumed	**(11,171)**
Identifiable net assets acquired	**54,073**
Goodwill	**1,027**
Cash flows from acquisition	**55,100**

4. EARNINGS

The following items are included with operating and financial expenses shown in the consolidated statement of earnings:

(in thousands of dollars)	2005	2004
Depreciation of fixed assets	**34,878**	30,424
Amortization of other assets	**18,628**	15,268
Interest on long-term debt	**913**	2,196

Considering a decrease in profitability of a subsidiary, the Cooperative has reduced the amortization period of this subsidiary's goodwill from 6 to 3 years and has recorded an impairment of the accounting value, for an impact of $3,000,000 in 2005.

5. PATRONAGE DIVIDENDS

The patronage dividends to members are paid $16,412,000 (2004 - $15,047,000) in cash and $49,238,000 (2004 - $45,141,000) through the issuance of shares.

6. CASH FLOWS

Cash flows related to non-cash items have increased (decreased) as follows:

(in thousands of dollars)	2005	2004
Accounts receivable	**1,470**	(1,586)
Inventories	**(14,727)**	(15,773)
Prepaid expenses	**1,269**	(2,196)
Accounts payable and accrued liabilities	**23,366**	(22,694)
Income taxes	**10,648**	(6,914)
Employee future benefits	**(2,812)**	(1,783)
Deferred charges on procurement agreement	**(550)**	-
	18,664	(50,946)

Interest paid approximates financial expenses disclosed in note 4. Income taxes paid amount to $4,125,000 (2004 - $15,336,000).

7. INVENTORIES

(in thousands of dollars)	2005	2004
Finished goods	**162,715**	145,667
Raw materials, goods in process and supplies	**23,113**	18,751
	185,828	164,418

8. FUTURE INCOME TAXES

The main components of the Cooperative's future income tax assets and liabilities are as follows:

(in thousands of dollars)	2005	2004
Future income tax assets		
Accrued expenses, provisions and other reserves that are tax deductible only at the time of disbursement	**2,476**	2,392
Future income tax liabilities		
Fixed and other assets	**15,240**	13,877

9. FIXED ASSETS

(in thousands of dollars)	Cost	Accumulated depreciation	2005 Net	2004 Net
Land	16,860	-	**16,860**	13,114
Buildings	140,349	61,511	**78,838**	64,965
Equipment	391,541	251,759	**139,782**	116,921
Office furniture	5,447	4,827	**620**	706
Computer equipment	40,030	26,268	**13,762**	15,571
Rolling stock	30,070	23,628	**6,442**	7,292
	624,297	367,993	**256,304**	218,569

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

10. OTHER ASSETS

(in thousands of dollars)	2005	2004
Goodwill	**77,820**	91,218
Employee future benefits	**7,140**	4,328
Procurement agreements and others	**12,766**	5,916
	97,726	101,462

11. BANK LOANS

The Cooperative and its joint ventures have lines of credit to a maximum of $96,059,000 which bear interest at variable rates generally not exceeding the prime rate. As at October 29, 2005, letters of credit are issued for a total value of $603,000.

12. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

(in thousands of dollars)	2005	2004
Members	**103,110**	92,970
Third parties	**182,358**	156,558
	285,468	249,528

13. LONG-TERM DEBT

(in thousands of dollars)	2005	2004
Loans contracted under a term credit agreement, bearing interest at an average rate of 6.48% (1)	**27,732**	31,696
Other loans (2)	**3,965**	6,429
	31,697	38,125
Current portion	**4,330**	4,928
	27,367	33,197

(1) The loans are secured by Series A - 2000 bonds with a par value of $225,000,000. The bonds, bearing interest at prime rate, were issued and pledged under a trust deed signed on December 1, 2000 to guarantee loans contracted by the Cooperative under a term credit agreement which limits the lenders' rights over the pledged bonds to the real loan amounts.

This trust deed contains certain commitments made by the Cooperative to maintain certain financial ratios and the obligation to refrain from charging the assets.

Term loan	Original par value	Repayment method	Balance at maturity
A	$40,000,000	$4,000,000 annually from October 2003 to October 2007	$20,000,000 in October 2008

(2) The loans include among others the proportionate share of the joint ventures' loans, whose share of assets are pledged to secure the loan amounts to $1,165,000.

Estimated principal repayments of the long-term debt required over the next years are as follows:

(in thousands of dollars)

2006	4,330
2007	4,985
2008	22,241
2009	141

14. SHARE CAPITAL

The following constitutes a summary of certain privileges, rights and conditions related to the Cooperative's shares. Reference can be made to the statutes of the Cooperative for the full text of these conditions.

The share capital of the Cooperative's members is variable and unlimited as to the number of shares in each class that can be issued, with the exception of Class C investment shares whose number is limited to 100,000,000. The shares have a nominal value of $1 each, with the exception of member shares ($100), Class M investment shares, Series 1 ($20), Series 2 ($1,500), Series 3 ($400) and Series 4 (to be determined when first issued).

When joining, new members subscribe to one member share and 10 Class M investment shares. Voting rights are restricted to one vote per member.

In consideration of patronage dividends, the following investment shares are issued: either Class A, Series A and A1 and Class B, Series B and B1, or Class C, Series AAA and BBB, as per the member's choice.

Class A, Series A and A1 and Class B, Series B and B1 investment shares are eligible under the Registered Retirement Savings Plan when converted into Class C, Series AA and BB investment shares respectively. Class C, Series AA and BB investment shares can be held by auxiliary members. No Class A, Series D and Class B, Series E investment shares formerly signed under the Cooperative Investment Plan have been issued since January 1, 1996.

Class A, Series L investment shares were authorized to serve as partial payment for a business acquisition in 2001.

Class C, Series AAA and BBB investment shares are issued according to the terms governing the Class A, Series A and A1 and Class B, Series B and B1 investment shares respectively, under the Cooperative Investment Plan. These investment shares are also eligible under the Registered Retirement Savings Plan.

Member shares as well as all classes of the investment shares are redeemable under certain conditions at their par value upon resolution of the Board of Directors. Share redemptions are subject to certain financial ratios. In addition, for Class A, Series D, Class B, Series E and Class C, Series AAA and BBB investment shares, the law requires that the reserve be increased by 50% of the amount of the redemption since issuance.

At year-end, shares issued and fully paid were as follows:

(in thousands of dollars)

	2005	2004
Member shares	409	424
Investment shares		
Class A, Series A, A1 and D	143,542	123,561
Class A, Series L	12,303	18,777
Class B, Series B, B1 and E	68,990	62,441
Class C, Series AA	22,167	21,116
Class C, Series BB	10,427	8,501
Class C, Series AAA	15,517	13,248
Class C, Series BBB	7,016	5,418
Class M, Series 1, 2 and 3	5,488	5,532
	285,859	259,018

During the year, share capital changed as follows:

(in thousands of dollars)	2005	2004
Balance - Beginning of year	**259,018**	216,550
Issuance of shares as payment for patronage dividends	**49,238**	45,141
Instalments on member shares and Class M investment shares	**76**	129
Redemption of shares in cash	**(22,473)**	(2,802)
Balance - End of year	**285,859**	259,018

During the year, an amount of $7,065,000 (2004 - $7,145,000) was transferred from Class A and B shares to Class C shares.

As at October 29, 2005, inactive members held shares of the Cooperative for a total amount of $9,605,000 (2004 - $7,727,000).

15. FINANCIAL INSTRUMENTS

Fair value

The book value of financial instruments is assumed to approximate their fair value due to their short-term maturity. These financial instruments generally include cash and temporary investments, accounts receivable, bank overdrafts and bank loans, and accounts payable and accrued liabilities.

Interest rate risk

The financial assets and liabilities do not bear interest, except for cash, temporary investment and long-term debt.

The Cooperative's long-term debt bears interest at variable rates. Interest rate swap agreements have been contracted to fix an original loan of $40,000,000 at a weighted average rate of 6.48%. As at October 29, 2005, the cancellation agreement cost amounts to $1,097,000.

HEDGING AGAINST FOREIGN EXCHANGE RISK

Currency forward contracts

The Cooperative hedges against foreign exchange risks for projected future transactions by means of currency forward contracts, mainly in U.S. dollars, euros and pounds sterling. Foreign currency gains and losses are recorded in earnings at the expiry of these contracts. At the presentation date of the financial information, the foreign exchange contracts, spread over periods not exceeding one year, approximate the fair market value and are as follows:

Purchases	**308,000**	**US**
Sales	**2,910,000**	**US**
Purchases	**4,350,000**	**euros**
Sales	**2,900,000**	**GBP**

Cross-currency swaps

The Cooperative has concluded a cross-currency swap agreement to hedge the net investment in the U.S. subsidiary, having the effect of translating capital of US$10,250,000 into capital of CA$12,367,000 at maturity.

16. INVESTMENTS IN JOINT VENTURES

The Cooperative holds an interest in the following joint ventures:

• Ultima Foods Inc.:	**50%**
• 292806 Ontario Limited (Bright Cheese House):	**49%**

The Cooperative's share in the statements of earnings and balance sheets of the joint ventures is summarized as follows:

(in thousands of dollars)	2005	2004
Assets	**62,782**	55,757
Liabilities	**33,059**	31,070
Sales	**125,090**	101,635
Cash flows from operating activities	**15,941**	5,307

17. COMMITMENTS AND CONTINGENCIES

Commitments relating mainly to operating leases are as follows:

(in thousands of dollars)	2005	2004
Total commitments (including $7,728 for next year)	**38,232**	29,900

The Cooperative is party to litigations in the normal course of business. Even if the outcome of these litigations cannot be expressed with certainty, the related liability is recorded when it is likely that it will result in a loss and that the amount can be estimated. Furthermore, management estimates that the losses that could result from these litigations will be negligible.

18. EMPLOYEE FUTURE BENEFITS

Employee future benefits relate mainly to pension plans. The obligations of the defined benefit plans are based on the employee's length of service and the pay of the last years of service. The pension benefits can be adjusted according to a formula based on the return on plan assets and the consumer price index. The actuarial valuation of the plans are performed at least every three years, the last valuations were performed mainly in January 2003 and January 2005.

Net expense is as follows:

(in thousands of dollars)	2005	2004
Defined contribution plans		
Net expense	**4,837**	3,876
Defined benefit plans		
Current service cost	**1,728**	1,708
Interest cost on accrued benefit obligation	**3,664**	3,484
Actual return on plan assets	**(7,749)**	(5,215)
Difference between actual return and expected return	**4,198**	2,048
Actuarial loss on accrued benefit obligation	**11,458**	2
Difference between actual actuarial loss and the amount recognized for the year	**(10,582)**	1,140
Amortization of transitional balance	**(903)**	(903)
Net expense	**1,814**	2,264

The information on defined benefit plans is as follows:

(in thousands of dollars)	2005	2004
Plan assets		
Fair value - beginning of year	**54,628**	46,910
Actual return on plan assets	**7,749**	5,215
Employer contributions	**2,229**	4,474
Employee contributions	**740**	713
Benefits paid	**(3,572)**	(2,684)
Fair value - end of year	**61,774**	54,628

The above contributions approximate the total cash payments. Equity securities included 57% (2004 - 58%) of total plan assets, invested mainly in Canada.

(in thousands of dollars)	2005	2004
Accrued benefit obligation		
Balance - beginning of year	59,149	55,926
Current service cost	1,728	1,708
Interest cost	3,664	3,484
Employee contributions	740	713
Benefits paid	(3,572)	(2,684)
Actuarial loss	11,458	2
Balance - end of year	73,167	59,149

(in thousands of dollars)	2005	2004
Employee future benefits assets		
Funding status - plan assets net of obligations (deficit)	(11,393)	(4,521)
Less: Transitional assets at the beginning, unrecorded and to be amortized	(5,022)	(5,925)
Plus: Actuarial loss, unrecorded and to be amortized	20,630	14,246
Plus: Employer contributions after valuation date	2,925	528
Employee future benefits assets	7,140	4,328

For pension plans with an accrued benefit obligation that was higher than the assets, the accrued benefit obligation is $64,165,000 (2004 - $50,825,000) and the assets are $51,030,000 (2004 - $44,216,000).

Employee future benefits assets are presented with other assets in the balance sheet.

	2005	2004
Weighted-average assumptions		
Accrued benefit obligation		
Discount rate	5.25%	6.25%
Long-term inflation rate of salary expense	4.00%	4.00%
Net benefit expense		
Discount rate	6.25%	6.25%
Expected return on plan assets	7.00%	7.00%
Long-term inflation rate of salary expense	4.00%	4.00%

The Cooperative participates in multiemployer defined benefit plans for certain unionized employee groups. These plans are accounted for as defined contribution plans. Contributions for the year amount to $572,000.

19. SEGMENT DISCLOSURES

The Cooperative carries on the business of processing and selling dairy products within a regulated raw milk sourcing environment. Processed products are distributed to a large number of customers, including major Canadian food chains and industrial customers. Assets are located mainly in Canada. In addition, sales are made primarily in Canada. The Cooperative's Board has determined that Agropur carries on business in only one operating sector, dairy products.

Four customers represent respectively more than 10% of the sales figure, for a sales volume amounting to $998,000,000.

20. COMPARATIVE FIGURES

Certain comparative figures have been reclassified in order to conform with the current year's presentation.

BOARD OF DIRECTORS

RENÉ GRIMARD [1]
Vice-Chairman
Des Appalaches
1995

SERGE RIENDEAU [1,2]
Chairman
Estrie
1991

ROGER DAOUST [1]
Salaberry
1993

RENÉ MOREAU [1]
Bois-Francs
1998

MICHEL COUTURE [1]
De L'Érable
2001

ROGER BEAULIEU
Est du Québec
2000

JEAN FILIATRAULT
Acton
1993

DARIE GAGNÉ
Chaudière
1997

DANIEL GINGRAS [2]
Des Seigneuries
1997

GAÉTAN JODOIN [2]
Granby
1996

DANIEL LAMY
Berthier / Maskinongé
2004

ROGER MASSICOTTE [2]
Mauricie / Portneuf
2003

LORNA JEAN NEVEU
Laurentides / Lanaudière
1996

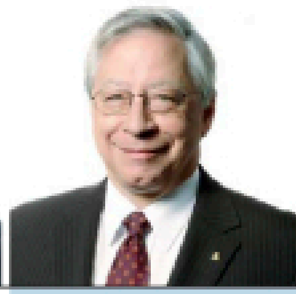
FRANÇOIS PELLETIER [2]
Yamaska
2002

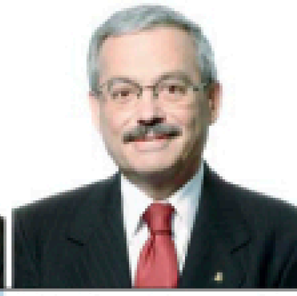
DENIS VALLÉE
Lac Saint-Pierre
1991

Legend

Director / Administrative region / Year elected to the Board
[1] Executive Committee members
[2] Directors whose term expires in 2006; however, they can be re-elected.

MANAGEMENT COMMITTEE





BENOIT GAGNON
Chief Financial Officer

PIERRE CLAPROOD
Chief Executive Officer

DENIS LACHANCE
Vice-President,
Legal Affairs and
Corporate Secretary

LOUIS LEFEBVRE
President
Cheese and Functional
Products Division

SERGE PAQUETTE
President
Division Natrel

ROBERT GOUR
Acting President
Fine Cheese Division
Vice-President
Human Resources and Communications

DOMINIQUE BENOIT
Vice-President
Institutional Business
and Member Relations

JACQUES R. ROLLAND
Vice-President
Research and
Development

MICHEL LECLAIR
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