



# When tradition is synonymous with quality

Taking inspiration from nature itself, Agropur uses milk of the highest quality and unequalled richness, which is the basis of a long line of innovative and **purely natural** products. At the dawn of the 21<sup>st</sup> century, Agropur is committed to offering products that are pure, distinctive and of the highest quality. Success has in no way compromised the authenticity of Agropur products, but rather contributed to it.

Under the loving care of its employees, Agropur's products continue to bear the hallmark of outstanding work and a human touch. All employees are inspired by the Cooperative's basic values of tradition, purity and authenticity. In keeping with the spirit of the Cooperative's founders and still relevant today, Agropur's values are the foundation of its business ethics. These same values continue to guide its actions in every respect.

Despite Agropur's modest beginnings, the organization has grown to become one of the major players in the Canadian dairy industry. Active from coast to coast, its operations even extend beyond Canada's borders.

As a responsible corporate citizen, Agropur expresses its commitment to the community through many local and international initiatives. The Cooperative also exports its know-how to developing countries, as demonstrated in recent years by its involvement with SOCODEVI. This organization's main mission is to contribute to the sustainable development of other countries by the transfer of local expertise.



# purely natural





## The Cooperative continues on its upward path

On the eve of celebrating its 70 years of existence, Agropur continues on its upward path by adhering to its original values, which remain the pillars of the organization. To continue to promote its values, Agropur relies on a dynamic associative structure and a network of motivated and dedicated facilitators and delegates. The Cooperative thus maintains productive contact with the members, who are regularly consulted to establish overall directions that will help guide its actions.

At the start of this year, a number of consultation meetings were held in all the administrative regions of the Cooperative as part of the 2007 Strategic Reflection. Announced during the last Annual General Meeting, this review aimed to gather members' points of view about three major subjects of interest pertaining to Agropur's future: recruitment of new members, its democratic structure and associative life, and the growth of the organization. The findings of this review will guide the Board of Directors in the major directions and decisions that need to be taken in the coming years; these will be announced at the next Annual General Meeting. On behalf of the Board, I would like to thank all of those members who participated in this exercise.

We believe that to remain competitive in the face of various external pressures, we must acquire more processing assets, whether in Canada or abroad.

At the end of the year, discussions were initiated with Gay Lea, a dairy cooperative in Ontario, to launch a major new Canadian dairy cooperative. However, despite all the hard work that went into bringing this project to fulfilment and following a thorough review of both parties' respective business plans, we concluded it was in the best interest of the members of both cooperatives to end the merger talks entered into in the fall. I wish to thank everyone involved with this merger project.

The year 2007 marked Agropur's first foray into the South American continent with the creation of the joint venture *Grupo La Lacteo*, in November 2007, in partnership with Adecoagro. The latter is a leader in the production of food and renewable energy in Argentina, Brazil and Uruguay. This partnership will allow us to develop new dairy activities in South America. *Grupo La Lacteo* processes more than 120 million litres of milk annually and has two plants located in the province of Cordoba, in Argentina. Its 146 employees are responsible for producing milk beverages, fresh dairy products, powdered milk and cheese.

"The Cooperative has no borders," Agropur's founders said. These words, more relevant than ever today, are reflected in the strategies that the organization has adopted.

Still on the topic of the international sphere, the Cooperative has been involved with SOCODEVI, since early 2006, in a project aimed at promoting the development of the dairy industry in Paraguay – specifically, eight dairy cooperatives. Agropur is involved in making improvements to milk

quality, to the management of best practices in quality assurance at the plant, to marketing and distribution, and to the management of cooperatives. As part of this project, a few board members and employees travelled to Paraguay. Also, members of Agropur's Board of Directors welcomed at the Longueuil head office, a delegation from that country in June. We can be proud of our involvement in this knowledge transfer project, making it possible for these cooperatives in Paraguay to be better equipped for the future.

Also, as a dairy industry leader, our organization was asked to deposit a brief within the framework of the consultations of the *Commission sur l'avenir de l'agriculture et de l'agroalimentaire québécois*, in September 2007. We considered it imperative to offer our perspective on the current dairy situation.

In this country, we have the opportunity to benefit from two traditional collective marketing arrangements: joint ventures and cooperatives. Our system makes it possible to offer consumers innovative, high-quality products at competitive prices, as well as offering all of our industry partners an "equitable" marketing model from which everyone can profit.

Despite the fact that our cooperative is seeking new business opportunities abroad, it continues to benefit from a dairy marketing system that is as effective as what exists elsewhere in the world. The supply management system in Canada is as beneficial to consumers as to producers and processors. We want to be able to count on the stability that the Canadian dairy system provides us in order to continue growing.

This is an important asset that our governments must protect. Our sector must be able to continue to rely on strong regulatory and government support. For over thirty years, this system has enabled the Canadian and Quebec dairy sectors to remain financially strong and permitted both producers and processors to enjoy favourable conditions.

Nevertheless, some external elements beyond our control do oblige us to remain alert. The most recent Canadian statistics show that dairy ingredient imports, which had seen strong growth since 1998, seem to have peaked and have even declined in some cases. This situation may be the result of policies implemented in Canada two years ago, which were designed to make us more competitive against imports of ingredients used in certain products. Following the publication by the Canadian Food Inspection Agency of regulations concerning cheese-making standards, Agropur lost no time in submitting its comments to the Agency. We are the only major processor that favours implementing cheese standards to limit the use of dairy ingredients in cheese. However, we would like these standards to be uniform for all products, in order to establish a level playing field between processors.

Finally, negotiations in the agricultural sector of the World Trade Organization (WTO), which were formally re-launched in January 2007 and dealing specifically with three basic issues – export subsidies, access to markets and domestic support – could have a direct impact on the supply management system in Canada as we know it today. These negotiations still represent a potential threat to our industry, and even if the process may seem risky, long-drawn and difficult to follow, progress is nonetheless being made. We should therefore conclude that an agreement will be reached by the member countries and that our dairy system will therefore be put under pressure. Regardless of the conclusions of these discussions, our industry must be able to rely on the government giving us the same support as the support given in other dairy-producing countries, so that we can compete on equal terms.

To conclude, I would like to extend a warm thanks to Mr. Pierre Claprood, Chief Executive Officer, and his team, as well as to all the members, managers and employees of Agropur for their good work, their dedication to our organization and the excellent 2007 results.



**Serge Riendeau**  
Chairman



## Agropur in excellent financial health

For several years, Agropur has sown seeds and continues to reap the benefits. This past year, 2007, is another good year for the Cooperative and it marked its entrance in South America. Agropur continues to grow as a result of its excellent financial health. An international situation, which has been quite favourable to our organization, as well as a 53-week year, among other things, helped make 2007 a record year for us, with sales of 2.45 billion dollars and earnings before patronage dividends of 129.7 million dollars even though there was a \$10 million devaluation of our commercial paper portfolio.

While it is the cheese divisions that have distinguished themselves, all of the divisions continue to improve steadily. Expanding our interest in Bright Cheese House from 49% to 100% last February also contributed to this sales growth. In addition to increased sales volumes in cheese, favourable selling prices of whey products on the international market have also contributed significantly. After a few difficult years, our American operation, Deutsch Käse Haus, has just started to achieve profitability in 2007 and efforts are ongoing to improve results. Division Natrel sales continue to grow, due in large part to additional sales volumes of the 53<sup>rd</sup> week, through a mix favoring added value products and inflation of selling prices. As for Ultima Foods, given the slowdown in yogurt market growth, this joint venture is managing to hold its own with slightly increased sales. Also, since the start of the year, the price of milk on world markets has been rising, partly due to increased milk consumption in China and other Asian countries, as well as the drought plaguing Australia and reduced dairy reserves in Europe.

Globalization is without a doubt a fundamental characteristic of the world in which we live. Borders are opening up, markets are blending into one another, and our clients are located on both sides of the border and about everywhere in the world so we have to fall into step. Other factors such as shrinking exports, a relatively small and saturated internal market with minimal growth, and pressure being exerted by the WTO are all forcing our organization to look outside the country to ensure growth.

In markets that are relatively limited and mature, growth comes mainly from three sources: mergers and acquisitions, innovation and improvements in operating efficiency. Agropur is simultaneously working on all these fronts.

The work we have put into prospecting and developing business outside the country's borders over the last few years has begun to bear fruit. For our organization, 2007 has been a year of projects and expansion. It has been particularly marked by the creation of a South American joint venture in Argentina, *Grupo La Lacteo*, by taking control of Bright Cheese House in Ontario, as well as acquiring the

goodwill of *Laiterie Château* in Quebec. Finally, several business acquisition opportunities are being studied or negotiated at the moment. Agropur could carry out several projects over the next few months.

Realizing potential acquisition arrangements nationally or abroad is a great stimulus. The successful integration of new operations is a big challenge for any organization and for the employees involved. Our ability to integrate other businesses appropriately and effectively rests largely on our human resources including those of the organizations joining us. It is vital that a business that is in growth mode, such as ours, can count on capable, available and mobile employees and on the fresh talent we are grooming internally.

In this age of globalization, Agropur must be more determined than ever to maintain its leadership position in order to remain competitive in different markets. Never before has the organization been under as much pressure to field a highly qualified workforce. Competitiveness in our business increasingly depends on the ability of a workforce to adapt to new technologies, new equipment and to changes in the business environment.

2005 was a pivotal year when we set the objective of zero lost-time accident by 2009 – a difficult goal to achieve but nevertheless feasible. This is not only a business objective; among other things, these measures draw us closer to our employees and allow us to keep a watchful eye on their health and well-being. We still have not achieved this goal and we have to admit that there remains a lot of work to do. Thanks to the vitality of the Occupational Safety and Health (OSH) committees and their excellent work, significant progress has been made. In Agropur's recent history, 2007 is the year in which the fewest number of workplace accidents occurred.

This year, the signing of six collective agreements, of 5 or 7 year terms, will help ensure stability for all parties and will also demonstrate to our clients our determination to maintain our reliability as a supplier.

The long-term competitiveness of Agropur largely depends on its ability to keep developing new products at the same pace. The dairy industry is one in which both innovation and product development are essential in meeting the changing needs of an increasingly demanding clientele. The dairy sector has matured in Canada, and innovation is one of the cornerstones for ensuring the growth of our organization. In a context of globalization, it is essential that Agropur acquire research infrastructure; moving forward confidently, Agropur has decided to acquire new cutting-edge R&D facilities. The future R&D centre, equipped with modern laboratories making it possible to speed up and expand new-product development, will be operational during the second half of 2008.

Once again, the year 2007 has been prolific in terms of new products, allowing Agropur to preserve its status as an innovative business. In addition, our products have shone by winning several awards and distinctions; we are proud of this fruitful harvest, which has met our greatest expectations.

In conclusion, a good performance at several levels, including an excellent financial situation, allows us to approach the challenges awaiting us with confidence and determination, in Canada and abroad. I would like to sincerely thank Mr. Serge Riendeau, Chairman, all the members of the Board of Directors and Management Committee, our Cooperative members and all of Agropur's employees for the excellent results and for helping to make our organization a most inspiring and stimulating business model.



**Pierre Claprod**  
Chief Executive Officer

purely



The key to success:  
our employees





# true



To continue its growth, Agropur must count on a healthy, solid and stable foundation. The past success has not derived from good fortune but from 70 years of hard work.

The growth of the Cooperative depends on its ability to develop human talent internally even in a context of technological advances, acquisitions and science. Agropur can indeed rely on the solid bedrock of its human resources and their skills. Remaining on the cutting edge of technology is certainly a major challenge, but in globalized markets where technology is available to all, one of the ways to stand out is in the quality of one's employees.

An organization's human resources must be able to accomplish their work safely, which is why we have placed so much emphasis on health and safety in the workplace in recent years. We have set ambitious objectives to encourage behaviours that will become second nature, to guard against possible accidents. Ensuring workplace well-being – removing the risk of physical or psychological injury – is crucial.

The values that Agropur can count on most are still the professionalism, commitment and dedication of its employees. It is they who will develop new products and innovative procedures, and attract important new business. Thanks to its human resources, the Cooperative can continue on its development path and confidently face the challenges of growth. Agropur's success depends in large part on the quality of its employees at all levels: trustworthy and **purely true**.

purely good





## A healthy choice for assured benefits

Dairy products are often associated with childhood pleasures. Always a part of our celebrations, they evolve over time but still maintain their good taste and virtues.

Today's consumers are increasingly demanding and aware of what they eat. They want to know the effects these foods will have on their health, and also want to be offered products "with added nutrients" that meet specific dietary needs. In the last few years, many new products have been introduced such as calcium-enriched, Omega-3 or probiotic milk, as well as lactose-free milk and yogurt with antioxidants and probiotics, to name just a few, to satisfy particular needs.

Given their health concerns, consumers are ready to spend more for healthy products that can bring them benefits. Year after year, new studies confirm the beneficial properties of dairy products. Cheese helps ward off dental cavities and even seems to reverse the process. Other studies also emphasize that dairy products offer the benefit of supplying proteins and calcium, which prevent osteoporosis.

From the outset, Agropur aims to satisfy its customers by offering an array of products of excellent quality, aimed at the well-being and health of the consumer. In addition to the products "with added nutrients" Agropur also offers a range of products allowing consumers to indulge themselves without feeling they have "cheated" a little.

Agropur is always ready to listen to consumers and aims to exceed their expectations by marketing products that are **purely good**, a skillful blend of know-how and good taste.



# purely

Agropur: an innovative and creative processor  
state-of-the-art facilities



A business in  
constant evolution



# new



To preserve its position as a market leader, Agropur must be diligent in sustaining its R&D efforts, a decisive factor in meeting the many needs of its clients.

For several years, Agropur has demonstrated its innovative ability by introducing **purely new** products, making it possible to be present on national and international markets. The year 2007 has been no exception.

The most recent products developed are *Champfleur*, *Allégro Probio 4%*, *Oka with mushrooms*, *Canadian Reserve*, *Quebon Blue Raspberry Milk*, *Quebon Chocolate Milk Beverage with Splenda*, *Yoplait Source Exotik Selection* and *Yoplait Creamy Duo* yogurts. Several cheese product packs have been revamped, and the fine cheese line now displays the new *Agropur Signature* seal of quality. This makes it possible to consolidate several brands of cheese with high-added value under the same umbrella brand. The innovations in the functional dairy products field, such as *Crinolac*, have facilitated the development of new markets like ice cream and deli meats.

A recipient of several prestigious prizes, including the 2007 *Caséus d'or* awarded in Quebec for its *Champfleur* cheese, Agropur is demonstrating that tradition and know-how are closely linked to success. *Canadian Reserve* took first place at the *World Cheese Award* and still holds the title of world's best aged cheddar, awarded at the *World Championship Cheese Contest* in 2006 for a period of two years. *Ricotta Prestigio* and *Chevalier Brie Triple Crème* also won first prize at the *American Cheese Society*, held in the United States. Recipients of many awards, our products affirm the reputation of an innovative business that takes pride in its origins.

## BOARD OF DIRECTORS



**René Grimard<sup>1</sup>**  
Vice-Chairman  
Des Appalaches

1995



**Serge Riendeau<sup>1</sup>**  
Chairman  
Estrie

1991



**Roger Daoust<sup>2</sup>**  
Salaberry

1993



**Roger Massicotte<sup>1</sup>**  
Mauricie / Portneuf

2003



**Michel Couture<sup>1</sup>**  
De L'Érable

2001



**Daniel Lamy**  
Berthier / Maskinongé

2004



**Lorna Jean Neveu<sup>2</sup>**  
Laurentides / Lanaudière

1996



**Jean-Pierre Lacombe**  
Yamaska

2007



**Vital Vouligny**  
Lac Saint-Pierre

2007



**Luc Chassé**  
Des Seigneuries

2006



**Roger Beaulieu<sup>2</sup>**  
Est du Québec

2000



**René Moreau<sup>1</sup>**  
Bois-Francs

1998



**Gaétan Jodoin**  
Granby

1996



**Darie Gagné<sup>2</sup>**  
Chaudière

1997



**Jean Filiatraut<sup>2</sup>**  
Acton

1993

Legend: Director / Administrative region / Year elected to the Board

<sup>1</sup> Executive Committee members

<sup>2</sup> Directors whose term expires in 2007; however, they can be re-elected

## MANAGEMENT COMMITTEE



**Pierre Claprod**  
Chief Executive Officer



**Robert Gour**  
President  
Fine Cheese Division



**Benoit Gagnon**  
Chief Financial Officer  
Corporate Secretary (acting)



**Serge Paquette**  
President  
Division Natrel



**Scott McDonald**  
Vice-President  
Human Resources



**Louis Lefebvre**  
President  
Cheese and Functional  
Products Division



**Dominique Benoit**  
Vice-President  
Institutional Business  
and Member Relations



**Jean Brodeur**  
Vice-President  
Public Relations  
and Communications



**Michel Leclair**  
Vice-President  
Quality Assurance



**Michel St-Louis**  
Director, Legal Affairs  
(acting)



**Michel Pouliot**  
Vice-President  
Research and Development

## LOCATIONS

### ● HEAD OFFICES

- 1 Longueuil, Que. Agropur
- 2 Longueuil, Que. Ultima Foods Inc.
- 3 Ferreyra, Cordoba, Grupo La Lacteo

### ■ PLANTS

- 1 Amqui, Que. DN
- 2 Beauceville, Que. CFPD
- 3 Bon-Conseil, Que. CFPD
- 4 Chilliwack, B.C. DN
- 5 Delta, B.C. Ultima Foods Inc.
- 6 Don Mills, Ont. DN
- 7 Ferreyra, Cordoba, Grupo La Lacteo
- 8 Granby, Que. CFPD
- 9 Granby, Que. Ultima Foods Inc.
- 10 Lethbridge, Alta. CFPD
- 11 Middlebury, IN, CFPD
- 12 Oka, Que. FCD
- 13 Ottawa, Ont. DN
- 14 Plessisville, Que. CFPD
- 15 Quebec City, Que. DN
- 16 Saint-Bruno, Que. DN
- 17 Saint-Hyacinthe, Que. FCD
- 18 Saint-Laurent, Que. DN
- 19 Sudbury, Ont. DN
- 20 Victoria, B.C. DN
- 21 Villa Del Rosario, Cordoba, Grupo La Lacteo
- 22 Woodstock, Ont. CFPD

### ▲ LABORATORY AND R&D CENTRE

- Granby, Que.

### ● GARAGES

- 1 Iberville, Que. CFPD
- 2 Saint-Agapit, Que. CFPD

### ★ MAJOR WAREHOUSES

- 1 Annacis Island, Delta, B.C. DN
- 2 Baie-Comeau, Que. DN
- 3 Brantford, Ont. DN
- 4 Cassidy, B.C. DN
- 5 Jonquière, Que. DN
- 6 Kingston, Ont. DN
- 7 London, Ont. DN
- 8 Orillia, Ont. DN
- 9 Montreal, Que. DN
- 10 Rimouski, Que. DN
- 11 Sainte-Thérèse, Que. DN
- 12 Sherbrooke, Que. DN
- 13 Trois-Rivières, Que. DN
- 14 Windsor, Ont. DN

### ● OFFICES

- 1 Calgary, Alta. Ultima Foods Inc. and FCD (sales)
- 2 Granby, Que. CFPD (administrative office)
- 3 Halifax, N.S. Ultima Foods Inc. and FCD (sales)
- 4 Longueuil, Que. DN (administrative office)
- 5 Markham, Ont. DN (administrative office) and CFPD (sales)
- 6 Mississauga, Ont. Ultima Foods Inc. and FCD (sales)
- 7 Montréal-Nord, Que. FCD (administrative office)
- 8 Ottawa, Ont. Ultima Foods Inc. and FCD (sales)
- 9 Quebec City, Que. Ultima Foods Inc. and FCD (sales)

### ◆ DISTRIBUTION CENTRES

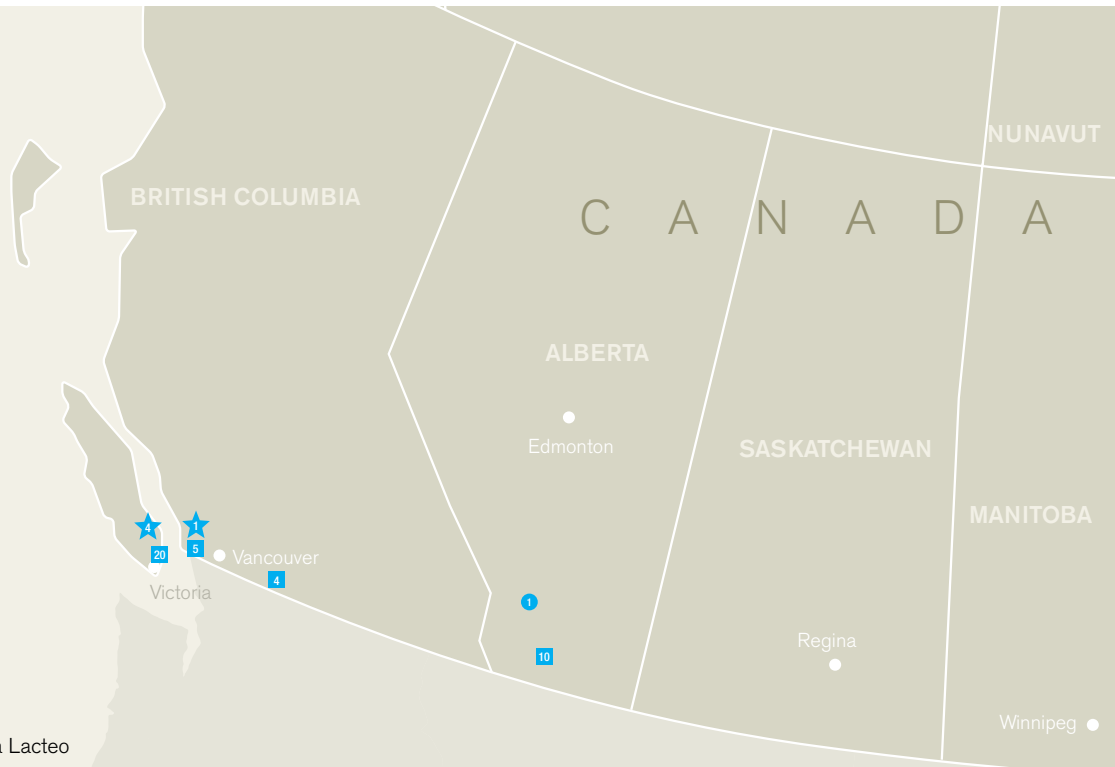
- 1 Longueuil, Que. Ultima Foods Inc. (National Distribution Centre)
- 2 Saint-Hubert, Que. FCD and CFPD

#### Legend:

FCD: Fine Cheese Division

CFPD: Cheese and Functional Products Division

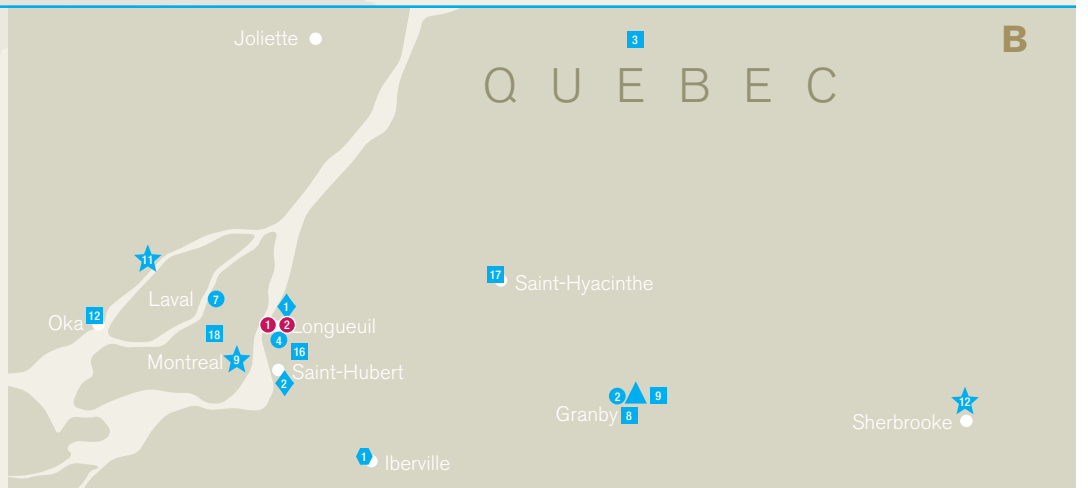
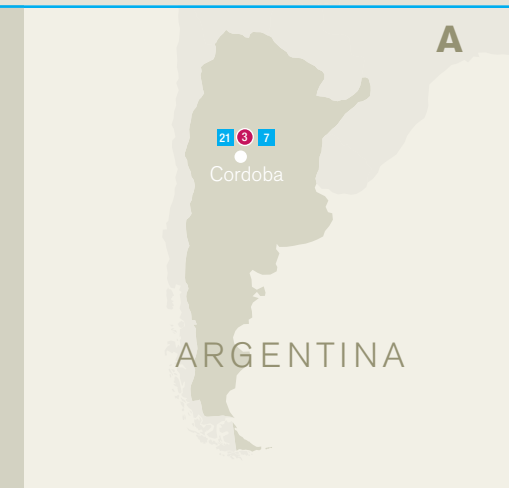
DN: Division Natrel



UNITED STATES









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\* Joint venture