

Annual Report

2023

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MESSAGE FROM OUR LEADERS

Board Chair



As we reflect upon the past year, I would like to extend my heartfelt gratitude to DPAC's outgoing Board Chair, Michael Barrett, for his exemplary leadership to both DPAC and the industry as a whole. Michael's guidance and commitment provided a steady hand during the COVID-19 pandemic and numerous challenges to Canada's dairy processing industry. These contributions to the industry will always be valued.

Under Michael, the board implemented a four-year strategic plan. In this report, you will read about the work DPAC has completed to secure compensation for the impacts of CUSMA, support government efforts to defend dairy tariff-rate quota allocation in CPTPP and CUSMA challenges, develop a Grocery Code of Conduct, and ensure the unique nutritional value of dairy products are recognized in Health Canada's healthy eating strategy.

Beyond this, important steps have been made toward achieving our strategic objective to modernize Canada's supply management industry. This work will carry over into forthcoming discussions between processors and producers to develop the next national ingredients

strategy. We believe these negotiations present an opportunity to foster stronger partnerships and collaboration toward a modern dairy sector that is best positioned to respond to the changing environment and needs of consumers.

I am honored to serve as the Chair of the DPAC Board of Directors, and I am confident that with your continued support and collective efforts we will build a strong and resilient Canadian dairy processing industry.

Phil Vanderpol
Chair, DPAC Board of Directors



MESSAGE FROM OUR LEADERS

President & CEO

Looking at the past year, this has been a period of significant growth and accomplishment for DPAC. We've welcomed new team members and said goodbye to others and strengthened our relationships with Dairy Farmers of Canada and other organizations throughout the agri-food sector. Changes to our membership structure implemented at last year's annual general meeting have allowed DPAC to welcome four new associate members and two new institutional partners. This has also allowed DPAC to establish a DPAC Atlantic committee and fill an important gap in representation for the region.

As DPAC enters into the second phase of implementation of its 2020-2024 strategic plan, significant emphasis will be placed on both consumer trust and creating a sustainable business model. Regarding the former, environmental sustainability will be a key priority. It is increasingly important for every industry to do its part in helping Canada meet its carbon goals. The work that DPAC does over the next two years will not only support Canada's goals, but help the Canadian dairy processing sector meet

its commitments as a signatory of the International Dairy Federation's Dairy Declaration of Rotterdam and support of the Pathways to Dairy Net Zero program.

On creating a sustainable business model, we have established a process for the coming producers-processors discussions to modernize the dairy supply management system. On the Grocery Code of Conduct, in the coming months, we are going to move from the development phase to the implementation phase. This file has proven to be a marathon rather than a sprint but grocery stakeholders are committed to bringing it across the finish line.

This is a pivotal moment for both DPAC and the industry and we are ready to proactively address the challenges that lie ahead.

Mathieu Frigon

President and Chief Executive Officer

STRATEGIC PRIORITIES

2020-2024

MISSION To provide leadership and advocate for a consumer focused, sustainable dairy industry through trust-based partnerships

VISION A thriving Canadian dairy industry, trusted by consumers



COLLABORATING, ENGAGING, INFLUENCING

As the recognized national voice of dairy processors, work collaboratively with provincial associations to increase the influence of the dairy processing industry with governments across Canada.

- Regulatory affairs and dairy policy
- International trade policy
- Representation of small and medium dairy processors



BUILDING CONSUMER AND CUSTOMER CONFIDENCE AND TRUST

Build consumer and customer confidence and trust in the dairy sector.

- Animal welfare
- Environmental sustainability
- Milk quality and traceability



CREATING A SUSTAINABLE BUSINESS MODEL

Develop a sustainable business model from farm to consumer which supports a growing Canadian dairy sector.

- Modernization of supply management system
- Address broader agri-food issues (i.e., Grocery Code of Conduct)

COLLABORATION & INFLUENCE

ACCOMPLISHED

CUSMA COMPENSATION ANNOUNCED

In November 2022, the [Government of Canada announced more than \\$400 million in programs](#) for dairy processors impacted by the renegotiation of the Canada-US-Mexico Agreement. This funding included \$333 million for a new innovation program for value-added initiatives for skim milk, as well as \$100 million in additional money for the existing 'Supply Management Processing Investment Fund' established in 2022 as part of compensation for the impacts of CETA and CPTPP trade agreements.



Mathieu Frigon and Dominique Benoit join the Hon. Marie-Claude Bibeau, Minister of Agriculture and Agri-Food, in Quebec for an announcement of CUSMA compensation measures.

Following the signing of the CUSMA agreement in 2018, DPAC began advocating for “full and fair compensation” to support dairy processors in their investments to meet consumer demand and adapt to an ever-changing marketplace. Work continues to ensure that the resulting compensation programs are collaboratively developed with the industry to ensure that the specific needs of dairy processors are met.

SECURING FRONT-OF-PACKAGE LABELLING EXEMPTIONS

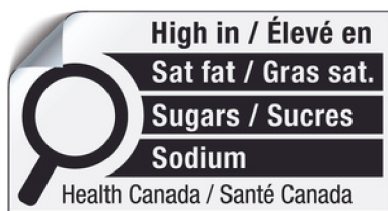
Final [front-of-package nutrition labelling regulations](#) were introduced last summer. First proposed in 2018, the regulations will require products exceeding 15% daily value (DV) of sodium, sugar, and saturated fat to carry front-of-package nutrition labels. Over the past four years, DPAC worked closely with Health Canada and Dairy Farmers of Canada to obtain exemptions based on the unique nutrient profile of dairy products.

DPAC was pleased that the final regulations included flexibility in sugar content for products like yogurt. While not exempt from the front-of-package labeling, regulations will apply only to added sugar; naturally occurring milk sugar (lactose) and non-sugar sweeteners,

such as fruits, will be exempt if the calcium threshold is met. A second important change to the regulations is the use of a calcium threshold exemption for both standardized and unstandardized cheese. This will provide the industry with the flexibility it needs to innovate with unstandardized cheese.

This is a win for dairy processors and is a credit to the support and input received from the DPAC's Dairy Regulatory Technical Committee. Food processors have until January 1, 2026 to make changes.

The new labelling regulations recognize the unique contributions of dairy products to a balanced diet for Canadians. DPAC will advocate so that marketing-to-kids regulations also uphold this principle.



REPRESENTING DAIRY PROCESSORS IN OTTAWA

A small but mighty team represents dairy processors' interests in Ottawa. The DPAC team has worked hard to develop good working relationships with officials at the Canadian Dairy Commission, Agriculture and Agri-Food Canada, the Canadian Food Inspection Agency and Environment and Climate Change Canada. In the past year, DPAC has conducted more than 35 official meetings with government

representatives, 15 media interviews, represented processors' interests at meetings of the House of Commons Standing Committee on Agriculture, and made numerous submissions to government consultations.

At the core of DPAC's work in Ottawa is our belief that government policies and programs should position the dairy processing industry to contribute to the Canadian economy and contribute to a safe, stable and sustainable food supply for Canadians. More details of this can be found in [DPAC's 2023 Pre-Budget Submission](#).

THE YEAR AHEAD

ENSURING REGULATIONS WORK FOR DAIRY PROCESSORS

DPAC's Dairy Regulatory Technical Committee plays an important role in developing DPAC positions on regulations of Canadian dairy products. This year, DPAC will continue to engage Health Canada and the Canadian Food Inspection Agency to advocate for changes to labelling and ingredient regulations that support the changing needs of dairy processors, their customers and consumers.

RESPONDING TO CPTPP AND CUSMA TRADE CHALLENGES

Significant work continues in support of the Government of Canada's response to a number of dispute settlement panels requested by CUSMA and CPTPP trading

partners. Both panels take aim at Canada's dairy tariff-rate quota (TRQ) allocation mechanisms. DPAC continues to share the government's view that Canada has met its obligations under CUSMA and CPTPP and that its dairy TRQ allocation mechanisms are compliant with both the agreements and the decisions of the previous CUSMA panel in January 2022.



Canada will continue to defend our supply management system and the market access that Canada and the United States have agreed on. We will stand firm against attempts to renegotiate agreements during the dispute settlement panel process.

The Hon. Mary Ng, Minister of International Trade, Export Promotion,
Small Business and Economic Development (January 31, 2023)



BUILDING CONSUMER CONFIDENCE & TRUST

ACCOMPLISHED

MATERIALITY ASSESSMENT GUIDES DPAC CLIMATE ACTIONS

During 2021, a materiality assessment was conducted by ISOS group to determine informed environmental sustainability goals for Canadian dairy processors. The materiality assessment identified three main priorities for Canadian dairy processors:

- Reduction of Greenhouse Gas emissions,
- Circularity and zero waste for plastic packaging, and
- Water stewardship.

Based on the materiality results, DPAC's Dairy Environmental Committee recommended that immediate efforts focus on reducing GHG emissions.

SUPPORTING DAIRY NET ZERO BY 2050

In December 2022, the DPAC Board of Directors adopted an objective of achieving net-zero emissions for the dairy industry by 2050.

Taking action now allows DPAC to align with the goals of Canada's federal and

provincial governments, and dairy farmers to achieve net zero GHG emissions by 2050. This builds on the organization's prior commitments as a signatory of the International Dairy Federation's [Dairy Declaration of Rotterdam](#) and a supporter of the [Pathways to Dairy Net Zero](#) program.



DPAC has engaged Groupe Agéco to use Science Based Targets initiative (SBTi) methodology to guide DPAC Environment Committee (DEC) members in determining targets for the industry. The SBTi is an internationally renowned methodology that provides clearly defined pathways for companies to reduce GHG emissions. Targets are considered 'science-based' if they are in line with the goals of the Paris Agreement (i.e. limiting global warming to 1.5°C above pre-industrial levels). The first phase of scoping work began in March of this year.

COLLABORATION LEADS TO NEW DAIRY CODE

DPAC welcomed updates to the National Farm Animal Care Council (NFACC) [Code of Practice for the Care and Handling of Dairy Cattle](#) this past March. The new Code was the culmination of three years of collaboration and information sharing between representatives of DPAC, Dairy Farmers of Canada, Humane Canada, veterinarian and government experts.

The updated Code includes important updates and evidence-based solutions to meet consumers' expectations and address concerns regarding farm animal care. The new Code will come into effect on April 1, 2024.

Canada's Code of practice development process is a uniquely collaborative approach which creates an environment for diverse perspectives to come together and build common and sustainable directions for on-farm animal care.

CREATING A FRAMEWORK FOR AGRI-FOOD SUSTAINABILITY

This past year, DPAC joined the National Index on Agri-Food Performance, a coalition of more than 120 public and private sector partners working together to develop a comprehensive framework for agri-food sustainability in Canada – from farm to retail. The index is a tool to advocate for an all-encompassing approach to sustainability, which includes carbon footprint reduction in addition to multiple other sustainability factors.

As a pilot project, the first sustainability index for Canada's agri-food sector was published in May. The Index's 20 indicators and 130 metrics provide a comprehensive review of the sector's contribution to the environment, economic and societal well-being, looking at issues like food safety, food security and farm animal care, as well as matters related to workforce.

THE YEAR AHEAD

SUPPORTING PRODUCERS' EFFORTS TO PROVIDE A HIGH STANDARD OF CARE

Advancing animal welfare practices in Canada requires ongoing collaboration. To this end, members of DPAC's Animal Welfare Committee have been actively engaged in supporting [DFC's work to revise its proAction protocols](#) on animal welfare and implement new NFACC Dairy Code requirements. DPAC welcomes the opportunity to provide input on the perspectives of dairy processors and their consumers' as DFC undertakes this important work.

This collaboration is a continuation of the long history of dairy processors and producers' collaboration on issues related to animal welfare. DPAC and DFC maintain important programs like the DFC-DPAC Roster Working Group which guides the work of the National Third-Party Veterinary Animal Welfare Audit Roster Program, as well as the Animal Care Policy which outlines actions required when animal welfare expectations are not met.

CREATING A CARBON INVENTORY

This year, DPAC will begin conducting a carbon inventory for the Canadian dairy processing sector. This allows the sector to understand where it currently stands when it comes to GHG emissions.

While some members are already collecting this data, DPAC recognizes that this will be a new exercise for a number of processors. As such, DPAC will allocate the necessary resources to support members participating in this initiative.

The carbon inventory exercise will allow the industry to quantify the carbon emissions for a tonne of dairy products sold and help in setting practices to improve energy efficiency.

COLLABORATING TO CREATE A CIRCULAR ECONOMY FOR PLASTICS IN CANADA

This year, DPAC will continue to work to ensure that Canadian regulations and policies support the dairy processing sector's efforts to improve circularity and reduce waste when it comes to plastic packaging.

DPAC's Dairy Environmental Committee is engaged with Health Canada and Environment and Climate Change Canada to ensure that proposed regulations on food grade plastic and plastic recycled content and labelling are feasible for dairy products.

DPAC's work on circularity and zero waste for plastic packaging also

continues as a member of the Canada Plastics Pact.

[The Canadian Plastics Pact](#) is a unique multi-stakeholder, industry-led, cross-value chain collaboration led by a common vision for a circular economy for plastics. DPAC is one of more than 90 partners working to achieve clear, actionable targets on reducing plastic waste, improving recyclability and recycled content by 2025. DPAC has been a member of the Canadian Plastics Pact since 2021.

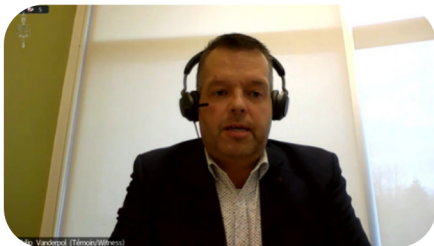


SUSTAINABLE BUSINESS MODEL

ACCOMPLISHED

RESPONDING TO GOVERNMENT REVIEW OF FOOD INFLATION

In March 2023, DPAC Chair, Phil Vanderpol and President and CEO, Mathieu Frigon, appeared before the House of Commons Committee on Agriculture and Agri-Food as part of the committee's study on Food Price Inflation. They offered that the implementation of a Grocery Code of Conduct is part of the solution to issues facing Canada's food supply chain.



Phil Vanderpol presents to the House of Commons Committee on Agriculture and Agri-Food on March 7, 2023

CANADIAN GROCERY CODE OF CONDUCT CLOSER TO REALIZATION

After four years of advocacy for a Grocery Code of Conduct for Canada, an industry-led, [government facilitated](#) proposal was tabled in May of this year. The [proposed Code](#) will aim to minimize disputes and

improve transparency and efficiency in Canada's supply chain. The proposed Code also includes the creation of a [Grocery Code Adjudication Office](#), a member-based organization that will provide oversight of the Code.

Consultations are ongoing and it is hoped that a final Code will be ready for implementation by the end of 2023.

This is a particularly proud moment for DPAC. The organization has played an important role in advocating for a Code and fostering cross-sectoral collaboration along with other industry associations. DPAC President and CEO, Mathieu Frigon, and Board director Mark Taylor, continue to be members of the committees which developed and will supervise the implementation of the proposed Code.



We cannot overemphasize the importance of a Canadian Code of Conduct to improve efficiency and collaboration throughout the supply chain. The Code will aim to bring transparency and greater contractual certainty to business relationships through clear terms and agreements between suppliers and retailers,

Mathieu Frigon to National Newswatch
April 11, 2023

THE YEAR AHEAD

DPAC POLICY COMMITTEE ESTABLISHED

A process has been established for the coming producers-processors discussions to modernize the dairy supply management system. This process will consist of two committees; an industry consultative committee tasked with identifying priorities, and a negotiating committee that will be tasked with proposing actual changes to the system to action those priorities. A first meeting of the Dairy Industry Consultative Committee should take place over the Summer.

In order to develop the association position on dairy policy issues, and to prepare for the coming discussions with producers on the modernizing of the dairy supply management system, a standing policy committee was created. The DPAC Policy Committee is chaired by Gilles Froment, a member of the DPAC Executive.

INCREASING THE REPRESENTATION OF SMALL AND MEDIUM-SIZED PROCESSORS

To increase representation of dairy processors of all sizes, DPAC has established the Working Group on Dairy Processing SMEs. This time-limited working group will be responsible for advising the DPAC Policy Committee on the development of a processors'

position in the context of discussions between processors and producers in 2023 to modernize the dairy supply management system.

GOVERNANCE & MEMBER ENGAGEMENT

CHANGES TO DPAC BOARD OF DIRECTORS

In December, DPAC Board of Directors Chair, Michael Barrett, retired both from his position with DPAC and his role as CEO of Gay Lea Foods. Michael was first elected Chair in 2019, but has supported DPAC's Board in many capacities over the years and we thank him for his dedication to both DPAC and the industry as a whole.

With Michael's retirement, Phil Vanderpol, was elected Chair of the Board. Phil is President and Chief Executive Officer of Vitalus Nutrition and has previously served as Vice-Chair of the DPAC Board of Directors (2015-2022). Replacing Phil as Vice-Chair is Sarab Hans, President of Hans Dairy Inc.

Dominique Benoit, Senior Vice-President, Agropur, Gilles Froment, Senior Vice-President, Lactalis Canada, and Catherine Tokarz, Senior Vice-President, Saputo, continue their roles on the DPAC Executive Committee.

WELCOMING NEW MEMBERS

In August, DPAC welcomed Hans Dairy Inc. as its newest primary member. Hans Dairy has quickly become an active member with Sarab Hans, Hans Dairy Inc. President, joining the DPAC Board Executive this past December in the role of Vice-Chair, and she has also become a member of DPAC Policy Committee. Changes to DPAC's governance structure approved at the June 2022 Annual General Meeting has allowed the



DPAC Board Executive 2022-2023 (From left to right): Dominique Benoit, Catherine Tokarz, Phil Vanderpol, Sarab Hans, and Gilles Froment.

organization to create new categories of membership that fit the unique needs of small and medium sized dairy processors and key dairy stakeholders.

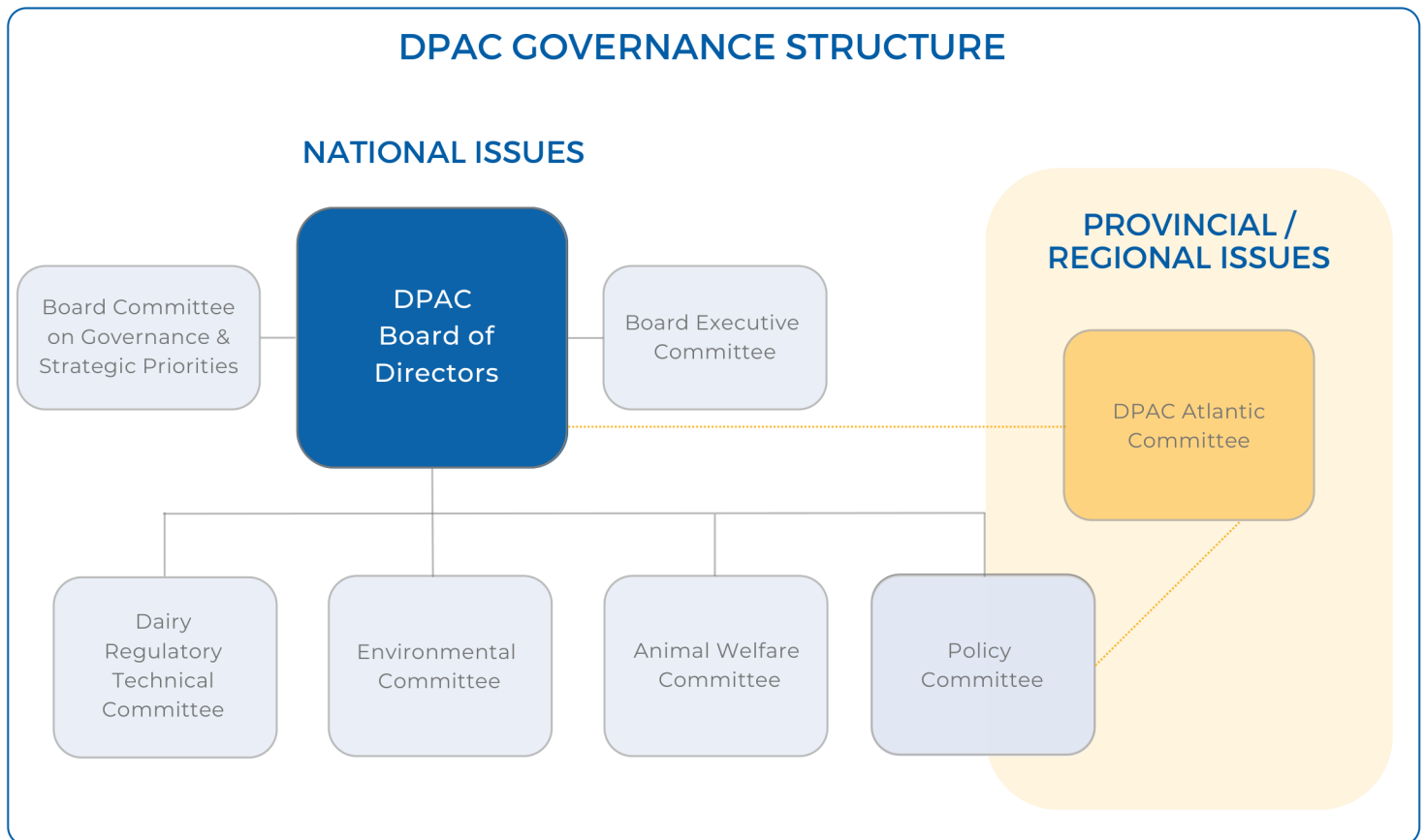
New associate members include: Canada Royal Milk, Fromagerie l'Ancêtre, Fromagerie St-Albert, Reid's Dairy. DPAC also welcomed Farm Credit Canada and Fédération des caisses Desjardins du Québec as its first Institutional Partners.

Edward Island, and Newfoundland and Labrador, the DPAC Atlantic committee fills an important gap in representation for the region and was created in the wake of Amalgamated Dairies Ltd. joining DPAC in 2022.

The organization addresses issues that are provincial or regional in scope (within Atlantic Canada) which are determined as priorities by the committee itself.

DPAC ATLANTIC COMMITTEE ESTABLISHED

Following approval by the DPAC Board in June 2022, work began to establish the DPAC Atlantic committee. Supporting the work of dairy processors in New Brunswick, Nova Scotia, Prince



INTRODUCING THE DPAC TEAM

STAFF

The DPAC team has seen a number of changes over the past year. We were pleased that Ons Dhaoui has accepted a full-time position with our team. Our long-time government relations associate, Michel Tremblay retired and Amelie Baillargeon, Coordinator, Public Affairs and Operations, joined the public service in late 2022. We wish both of them well in their new endeavors.



Mathieu Frigon
President and Chief Executive Officer



Marie Ly
Vice-President, Policy and
Regulatory Affairs



Chaturika Dayananda
Manager, Program and Regulatory
Affairs



Ons Dhaoui
Policy Analyst

BOARD OF DIRECTORS

EXECUTIVE

Phil Vanderpol, Chair
Vitalus Nutrition Inc.

Gilles Froment, Secretary
Lactalis Canada

Sarab Hans, Vice-Chair
Hans Dairy Inc.

Catherine Tokarz, Member-at-Large
Saputo Inc.

Dominique Benoit, Treasurer
Agropur Dairy Cooperative

DIRECTORS

Roger Bergeron
Fromagerie Bergeron

Vince Mendes de Franca
General Mills Canada

Suzanna Dalrymple
Gay Lea Foods Cooperative

Mark Taylor
Lactalis Canada

Eric Elmhirst
Arla Foods

Albert Borgo
Quality Cheese

Stephane Le Gal
Agropur Dairy Cooperative

Karla Dibartolo
Kraft Heinz Canada

Bill McKenzie
Foothills Creamery

Cristine Laforest
Group Bel Canada

Luc Boivin
Fromagerie Boivin

Chad Mann
Amalgamated Dairies Limited

Ryan Denys
Fairlife – Coca-Cola

Maheb Nathoo
Agrifoods International Cooperative

Haig Poutchigian
Saputo Canada

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Danone Canada

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