Village Farms Income Fund

Amended and Restated

Management's Discussion and Analysis

Three Months Ended March 31, 2008

April 3, 2009

Management's Discussion and Analysis

Information is presented in thousands of United States dollars unless otherwise noted.

Introduction

This management's discussion and analysis ("MD&A") should be read in conjunction with the amended and restated interim consolidated financial statements and accompanying notes of Village Farms Income Fund (the "Fund"), for the three months ended March 31, 2008. The information provided in this MD&A is current to May 9, 2008, except for the amended and restated accounts discussed below.

In the course of preparation of the Fund's annual 2008 financial statements, management became aware of an error in the recording of a share grant by the majority owners of the Fund to certain of the Fund's subsidiary company's employees during the first quarter of 2008. As a result, the Fund has amended and restated its consolidated balance sheet, consolidated statement of operations, consolidated statement of retained earnings and consolidated statement of cash flows for the period ended March 31, 2008.

The share grant did not involve the Fund, but pursuant to GAAP a gift from a "substantial owner" if company stock to an employee of the company is deemed to be a non-cash compensation expense made on behalf of the company. The fair market value of the Units on the date of grant was $813.

The impact of the restatement to the March 31, 2008 statements was an increase in selling, general and administrative expense of $813, a corresponding decrease in earnings before income tax of $813, a decrease of $221 in provision for income tax with a corresponding decrease in accrued liabilities, a decrease in net earnings of $592 and an increase of $813 increase in Unitholders equity. It lowered fully diluted earnings per unit to $0.08 for the period ended March 31, 2008. It had no impact on assets or cash flow from operations.

Village Farms Income Fund ("VFF," together with its subsidiaries, the "Fund"), is an unincorporated open-ended limited purpose trust established under the laws of the Province of British Columbia pursuant to a Declaration of Trust dated November 10, 2003 (as amended and restated on October 18, 2006). The Fund was created to invest in the vegetable greenhouse production business, through the acquisition of a controlling interest Village Farms Canada Inc. ("VF Canada"). The Fund's principal operating subsidiaries at March 31, 2008 are Village Farms Canada Limited Partnership ("VFCLP") and Village Farms, L.P. ("VFLP").

In the MD&A, "Village Farms" refers to the business carried on by the Fund and its subsidiaries.

Related Party Transactions

In connection with to the combination transaction of October 2006, a trustee of the Fund earned a fee of CAD$190,000 of which payment of CAD$95,000 has been deferred over a minimum of two years. The first payment in the sum of CAD$48,000 was made in October 2007.

At March 31, 2008, included in other receivables is a $379 note from an employee as a result of a relocation agreement. The note is secured by real property.

Presentation of Information

The components of the consolidated statements of earnings related to foreign operations are translated into U.S. dollars using average exchange rates in effect during the accounting period. The components of the consolidated balance sheets related to foreign operations or operations denominated in a currency other than U.S. dollars are translated at the exchange rate in effect at the balance sheet date. Exchange gains or losses arising from the translation of the foreign operations' financial statements are deferred and reported as foreign currency translation adjustment, which is included in unitholders' equity on the accompanying consolidated balance sheets.

Business Overview

Management believes that Village Farms is the largest producer, marketer and distributor of premium-quality, greenhouse grown tomatoes, bell peppers and cucumbers in North America. This premium product as well as product produced under exclusive arrangements with other greenhouse producers is grown in sophisticated, highly intensive agricultural greenhouse facilities located in British Columbia, Texas and Pennsylvania and is marketed and distributed under its Village Farms® brand name, primarily to retail supermarkets and dedicated fresh food distribution companies. The Fund markets and distributes throughout the United States, Canada, Mexico and Japan, and currently operates seven distribution centres located across the United States and Canada. Since its inception, Village Farms has been guided by a sustainable agriculture policy which integrates three main goals – environmental health, economic profitability and social and economic equality.

Village Farms embraces sustainable agriculture and environmentally friendly growing practices by:

- utilizing integrated pest management techniques that use "beneficial bugs" to control unwanted pests. The use of natural biological control technology keeps plants and their products virtually free of chemical agents. The process includes regular monitoring techniques for threat identification, development of appropriate, tailored response strategies and the execution of these strategies;
- capturing rainwater from various greenhouse roofs for irrigation purposes;
- recycling water and nutrients during the production process;
- growing plants in natural medium, including coconut fibre, rock wool and wood chips, as opposed to growing in the soil and depleting nutrients; and
- using dedicated environmental control computer systems which monitor and control virtually all aspects of the growing environment, thereby maximizing the efficient use of energy.

Village Farms' assets include eight greenhouses providing 954,435 square metres (242 acres) of growing space in Canada and the United States. All of Village Farms' greenhouses are constructed of glass, aluminum and steel, and are located on land owned or leased by Village Farms. In November 2006, VFLP opened a 5,400 square metre research facility in order to conduct testing of new growing technologies and methods. The Fund has commenced selling the crop that is grown at the research facility. VFLP also has exclusive marketing agreements with growers in Canada and Mexico that currently operate approximately 550,000 square metres of growing area.

In May 2007, the Fund sold the Pitt Meadows, British Columbia property for net proceeds of $6,455. Prior to the sale, the property was classified as an asset held for sale. The purchase accounting allocation at October 18, 2006 has been revised to CAD$7,134,000 to reflect the increased value of the land as a result of the sale and increased the value of the assets held for sale by CAD$4,134,000 and further reduced the value of property plant and equipment by CAD$4,134,000. The net proceeds of the sale were used to pay down the CAD Capital Loan (as defined below.)

In November 2007, the Fund sold its Abbotsford, British Columbia greenhouse facility for net proceeds of $3,133. The facility had a book value of $1,788 million. The net proceeds of the sale were used to reduce the amount owing under the CAD Capital Loan (as defined below.)

The following table outlines Village Farms' greenhouse facilities:

	Growing Area		
Greenhouse Facility	**Square Metres**	**Acres**	**Products Grown**
Marfa, TX (3 greenhouses)	318,460	82	Tomatoes on-the-vine, beefsteak tomatoes, specialty tomatoes
Fort Davis, TX	156,530	40	Tomatoes on-the-vine
Ringgold, PA	38,277	10	Tomatoes on-the-vine
Delta, BC (3 greenhouses)	441,168	110	Tomatoes on-the-vine, beefsteak tomatoes, specialty tomatoes
Total	954,435	242	

Crop Cycles

The growing cycle at Village Farms' greenhouse facilities occurs over a 14-month period.

Northern Facilities

The Canadian and Ringgold, PA facilities begin in October of one year and extend through December of the next year. To start, seeds are purchased and sent to an external propagator in October. Meanwhile, harvesting for the previous year's crop concludes in November. These plants are removed from the greenhouse and replaced with new seedlings from October's propagation. In early January, the pollination process begins and fruit typically begins to appear on the vines towards the end of January. The timing of growth and ripening of the fruit depends upon a number of factors, including variety and light levels, which vary from year to year. Harvesting of early varieties begins in late February or early March and reaches peak volumes during the months of June, July and August. In September, volumes begin to decrease and continue to decline until harvesting is completed in late November.

Southern Facilities

The Texas facilities begin in May of one year and extend through July of the next year. To start, seeds are purchased and sent to an external propagator in May. Meanwhile, harvesting for the previous year's crop concludes in July. These plants are removed from the greenhouse and replaced with the new seedlings from May's propagation. In August, the pollination process begins and fruit typically begins to appear on the vines. The timing of growth and ripening of the fruit depends on the variety of the fruit. Harvesting begins in September. In order to maintain the highest level of quality and yield, a second crop is planted alongside the original crop in January. In March, the second crop begins to harvest fruit and the original crop is removed.

Marketing

Village Farms is a leading marketer of premium-quality, value-added, branded greenhouse-grown produce in North America, and is a significant producer of beefsteak, tomatoes on-the-vine and cherry tomatoes at its facilities in Canada and the United States. Village Farms also purchases and distributes tomatoes, bell peppers and cucumbers in the United States and Canada produced by other greenhouse growers located in the United States, Canada and Mexico. Village Farms maintains high standards of food safety and requires the same of its exclusive contract growers, while providing on-time, effective and efficient distribution.

The Fund strives to continually exceed the expectations of its customers by providing consistently superior product, including adding new product varieties and packaging innovations.

The Fund has distribution capabilities that it believes exceed those of any competitor in the North American greenhouse vegetable industry. With distribution centres in New York, Texas, Florida, Pennsylvania, Illinois, Washington and British Columbia, the Fund provides its customers with flexibility in purchasing. Historically, Village Farms has had an on-time delivery record of 99.3%, while maintaining competitive freight rates that management of Village Farms believes to be among the best in the industry**.**

The marketing strategy is to strategically position the Fund to be the supplier of choice for retailers offering greenhouse produce by focusing on the following:

- **Year Round Supplier.** Year round production capability of the Fund enhances customer relationships, resulting in more consistent pricing.
- **Quality and Food Safety.** Sales are made directly to retailers which ensures control of the product from seed to customer and results in higher levels of food safety, shelf life and quality control. Food safety is an integral part of the Fund's operations, and management believes that it has led and currently leads the industry in adopting Good Agricultural Practises. This program is modeled after the U.S. Food & Drug Administration's Good Manufacturing Practices using the Primus Labs® format and third party auditors. All the Fund's packing facilities have recently undergone successful comprehensive food safety audits by Primus Labs®.

- **Quality Packaging and Presentation.** Product is selected at a uniform size and picked at the same stage of vine ripeness. The packaging for the product is "display ready", ensuring retail customers have a full view of the product on the supermarket shelf.
- **Direct Sale to Retail Customers.** Greenhouse produce (produce grown by the Fund plus third-party produce) is sold directly to supermarket chains, including Albertson's Inc., Fred Meyer, HEB Grocery Company, Loblaw Companies, Market Basket, Meijer, Inc., Overwaitea Food Group, Publix Super Markets, Inc., Richfoods, Inc., Safeway Inc., Safeway Canada, Wegmans Food Markets Inc., Weis Markets and Whole Foods Market.
- **Excellence in Customer Service and Logistics.** Logistics and distribution capability are key factors in ensuring fresh high quality product to meet consumer demands. Management of Village Farms believes it has a competitive advantage through its logistics and distribution network which includes strategically located distribution centres.

Village Farms markets, sells, and distributes all of its products, including products sold under exclusive marketing arrangements with its Canadian and Mexican greenhouse operations.

Non-GAAP Measures

References in this MD&A to "EBITDA" are to earnings before interest, taxes, depreciation, amortization, foreign currency exchange gains and losses on translation of long-term debt, and unrealized gains on the changes in the value of derivative instruments and non-controlling interest. EBITDA is a cash flow measure that is not recognized by generally accepted accounting principles in Canada ("GAAP") and does not have standardized meanings prescribed by GAAP. Therefore, EBITDA may not be comparable to similar measures presented by other issuers. Investors are cautioned that EBITDA should not be construed as an alternative to net income or loss determined in accordance with GAAP as an indicator of the Fund's performance or to cash flows from operating, investing and financing activities as measures of liquidity and cash flows. As the Fund distributes substantially all of its cash on an ongoing basis (after providing for certain amounts described elsewhere in this MD&A), management believes that EBITDA is a useful measure in evaluating the performance of the Fund and in determining whether to invest in units ("Units") of the Fund.

References to "distributable cash" are to net income before interest, taxes depreciation, amortization, foreign currency exchange gains and losses on translation of long-term debt, unrealized gains on changes in the fair value of derivative instruments, non-controlling interest and after debt servicing costs and any reserves that are deemed to be reasonable and necessary for the operation of the Fund. Distributable cash is not a recognized measure under GAAP and the Fund's method of calculation of distributable cash may differ from methods used by other entities. Accordingly, distributable cash as presented may not be comparable to similar measures presented by other entities. Management considers distributable cash to be a meaningful measure of operating performance because the Fund finances all growth and major capital expansion or replacement either with debt or the issuance of new Units. As such, distributable cash measures the return on investment to unitholders and helps to illustrate how the Fund is performing.

On August 4, 2006, the Canadian Securities Administrators ("CSA") issued Staff Notice 52-306 (Revised) — *Non-GAAP Financial Measures*, with the only revision to the notice being a clarification of the CSA's expectations regarding the presentation of distributable cash. That notice states: "We expect distributable cash disclosure to include a reconciliation to the most directly comparable measure calculated in accordance with GAAP. In staff's view, the most directly comparable measure calculated in accordance with GAAP is cash flows from operating activities as presented in the issuer's financial statements. For clarity, cash flows from operating activities includes changes during the period in non-cash working capital balances". In view of the historical EBITDA and distributable cash disclosures presented by the Fund, management of Village Farms believes that the presentation of distributable cash based on net income, as described above, is more useful to a unitholders' assessment of the Fund's results and the impact of the combination transaction of October 2006 going forward. As contemplated by the CSA notice, this MD&A includes a presentation of distributable cash based on cash flows from operating activities based upon recommendations contained in a Canadian Institute of Chartered Accountants' ("CICA") guidance issued in July 2007.

Quarterly Results of Operations

First Quarter Consolidated Financial Performance

(in thousands, except per Unit amounts)	**For the three months ended March 31,**	
	2008	**2007**
Revenue	$28,519	$24,440
Gross profit	11,716	7,501
Selling, general and administrative	4,015	2,738
Interest, net	960	1,604
Other cost (income)	(174)	(230)
Net earnings (loss)	3,276	2,914
EBITDA (1)	10,033	6,270
Earnings per Unit basic	$0.09	$0.08
Earnings per Unit diluted	$0.08	$0.08

(1) EBITDA is not a recognized earnings measure and does not have standardized meanings prescribed by GAAP. Therefore, EBITDA may not be comparable to similar measures presented by other issuers. See "Non-GAAP Measures". Management believes that EBITDA is a useful supplemental measure in evaluating the performance of the Fund.

Results of Operations for the Three Months Ended March 31, 2008 Compared to the Three Months Ended March 31, 2007

Revenue

Revenue for the three month period ended March 31, 2008 increased $4,079 or 17% to $28,519 from $24,440 for the three month period ended March 31, 2007. The increase in revenue is due to strong production and selling prices for tomatoes, partially offset by a decrease in revenues related to product sold on behalf of our exclusive partners.

Gross Profit

Gross profit for the three month period ended March 31, 2008 increased $4,215 or 56% to $11,716 from $7,501 for the three month period ended March 31, 2007, primarily due to an increase in the selling prices of tomatoes and a decrease in the lower gross profit product sold on behalf of our exclusive partners.

Selling, General and Administrative Expenses

Selling, general and administrative expenses for the three month period ended March 31, 2008 increased $1,277 or 47% to $4,015 from $2,738 for the three month period ended March 31, 2007. The increase is due to increased personnel costs, as well as the share grants by owners to employees of $813.

Interest, Net

Interest, net for the three month period ended March 31, 2008 decreased $644 or 40% to $960 from $1,604 for the three month period ended March 31, 2007. The decrease is due to lower debt balances and lower borrowing costs.

Other (Income) Cost

Other income for the three month period ended March 31, 2008 decreased $56 to ($174) from ($230) for the three month period ended March 31, 2007.

Net Income

Net income for the three month period ended March 31, 2008 increased $362 to $3,276 from $2,914 for the three month period ended March 31, 2007. The increase was primarily due to an increase in gross profit and a decrease in interest expense, partially offset by increases in selling, general and administrative expenses, income tax expense and a loss on derivatives.

EBITDA

EDITDA for the three month period ended March 31, 2008 increased $3,763 or 60% to $10,033 from $6,270 for the three month period ended March 31, 2007, primarily due to an increase in gross profit, partially offset by an increase in selling, general and administrative expenses. See the EBITDA calculation in "Reconciliation of Net Earnings to EBITDA" in the Fund's Management's Discussion and Analysis for the three months ended March 31, 2008. See the EBITDA calculation in "Reconciliation of Net Earnings to EBITDA."

Selected balance sheet data

	March 31, 2008	December 31, 2007
Total assets	$104,565	$100,992
Total liabilities	($79,943)	($79,370)
Non-controlling interest	($3,610)	($3,610)
Unitholders' equity	($21,012)	($18,012)

Reconciliation of Net Earnings to EBITDA

Management believes that EBITDA is an important measure in evaluating the historical performance of the Fund. However, EBITDA is not a recognized earnings measure under GAAP and does not have standardized meanings prescribed by GAAP. Accordingly, EBITDA may not be comparable to similar measures presented by other issuers. Readers of this MD&A are cautioned that EBITDA should not be construed as an alternative to net earnings or loss determined in accordance with GAAP as indicators of the Fund's performance, or cash flows from operating activities as a measure of liquidity and cash flow. The Fund defines and has computed EBITDA as described under "Non-GAAP Measures". The following table is the calculation of net income to EBITDA:

(in thousands)	For the three months ended March 31,	
	2008	2007
Net earnings	$3,276	$2,914
Add:		
Share based compensation	813	-
Amortization	1,693	1,624
Foreign currency exchange gain	(141)	(1,689)
Interest expense	960	1,604
Income taxes	2,569	1,816
Derivatives	863	-
EBITDA	$10,033	$6,269

Distributable Cash

The Fund has modified the presentation and calculation of distributable cash based on recommendations contained in the CICA's guidance issued in July 2007.

	For the three months ended March 31,	
(in thousands dollars, except per Unit amounts)	**2008**	**2007**
Cash flow from operations	$4,748	($3,996)
Less capital expenditures (a)	(566)	(1,355)
Standardized distributable cash –USD$	4,182	(5,351)
Add (deduct) entity-specific adjustments:		
Payment of Transaction expenses (b)	-	2,222
Payment of Transaction expenses (c)	-	162
Sale proceeds of property	-	-
Long term debt payments	(768)	(560)
	3,414	(3,527)
Average exchange rate for period (d)	1.0102	1.1716
Standardized distributable cash – CAD$	$3,449	($4,132)
Distributions CAD$ (e)	$1,090	$1,090
% of distributable cash	32%	-

Standardized distributable cash per unit

Weighted average number of units/shares outstanding-basic	36,349,305	36,349,305
Weighted average number of units/shares outstanding-diluted	38,707,345	36,707,345
Basic and Diluted CAD$	$0.09	($0.11)
Cash distribution per unit/share basis CAD$	$0.03	$0.03
Cash distribution per unit/share diluted CAD$	$0.03	$0.03

(a) Capital expenditures correspond to the purchase of property, plant and equipment.
(b) Payment of accrued dividend as per the October 2006 transaction
(c) Payment of accrued expenses related to the October 2006 transaction.
(d) Represents the average daily closing rates of exchange between the U.S. and Canadian dollar for the respective periods.
(e) Represents distributions approved and declared during the period by the Fund's Board of Trustees (the "Trustees").

Liquidity

The Fund expects to provide for adequate financing to maintain and improve its property, plant and equipment and to fund working capital needs for the foreseeable future from cash flows from operations and, as needed, from additional borrowings under its credit facilities or other long-term facilities including capital leases.

Capital resources
(in thousands)

	Maximum	**Outstanding March 31, 2008**
CAN Operating Loan (i)	CAD$12,000	$3,247
CAN Capital Loan (ii)	44,668	44,668
CAN FX Facility (iii)	-	-
US Operating Loan (iv)	5,000	-
US Capital Loan (v)	15,675	15,675

Canadian Credit Facilities

The Canadian credit facilities include:

(i) a revolving variable rate operating loan of up to CAD$12,000 with a term of 364 days (the "CAN Operating Loan"). As at March 31, 2008, $3,247 was drawn on the CAN Operating Loan;
(ii) a non revolving variable rate capital loan of $44,668 which matures on October 31, 2011 (the "CAN Capital Loan"); and
(iii) a foreign exchange contracts facility for the purchase and/or sale of U.S. funds (the "CAN FX Facility").

Interest payable on Canadian funds borrowed under the CAN Operating Loan and the CAN Capital Loan is calculated by way of one or more of Prime Rate borrowings, Credit Instrument borrowings, (CAD$) Bankers' Acceptances borrowings, Cost of Funds Borrowing, or any combination thereof. Interest payable on U.S. funds borrowed under the CAN Operating Loan and the CAN Capital Loan is calculated by way of one or more of U.S. Base Rate borrowings, Credit Instrument borrowings, (US$) Bankers' Acceptances borrowings, LIBOR borrowings, or any combination thereof. The CAN Operating Loan is subject to annual renewal by the bank. Subject to acceleration upon an event of default, the outstanding balance of the CAN Capital Loan will be repayable by way of 48 equal monthly installments of principal and interest (based on an amortization of the CAN Capital Loan in full over a period of 20 years), which commenced on October 31, 2007 (until which date only interest is payable), with the balance of the CAN Capital Loan and all unpaid accrued interest to be paid in full on October 31, 2011.

Accrued interest payable on the CAN loans as at March 31, 2008 was $43and $266 at December 31, 2007 and these amounts are included accounts payable and accrued liabilities. As at March 31, 2008, the interest rates were 6.75% and 6.85% at December 31, 2007. The interest expense for the three months ended March 31, 2008 and March 31, 2007 are $728 and $1,423, respectively. As at March 31, 2008, VFCLP was in compliance with all covenants.

The Canadian credit facilities contain restrictive covenants that prevent the Fund from distributing cash to unitholders if such a distribution would cause the Fund to breach the financial covenants of the CAN Operating Loan. As at March 31, 2008, $44,668 and $3,247 is outstanding in respect of the CAN Capital Loan, and the CAN Operating Loan, respectively and no borrowings are outstanding in respect of the CAN FX Facility. The Canadian credit facilities, in all cases, are senior in priority to the securities of VFCLP indirectly held by the Fund. On January 8, 2007, the remaining CAN Capital Loan was converted to US$ at a rate of US$1 to CAD$1.1647.

As security for the borrowings, VFCLP has provided, among other things, promissory notes, a first mortgage on certain of the greenhouse properties, and general security agreements over its assets. The borrowings are subject to certain positive and negative covenants customary for loans on terms similar to the Canadian credit facilities. VFCLP and certain of its direct and indirect subsidiaries, including Agro Power Development, Inc. ("APDI"), have provided full recourse guarantees of the Canadian credit facilities and have granted security therefor.

VFCLP has secured a variable rate US$30 million U.S. dollar hedging facility. The Fund pays the bank interest on any foreign exchange contract liability not paid by the Fund on the due date thereof at a rate equal to 3% in excess of the Prime Rate, calculated monthly, not in advance, until paid in full. The Fund pays the bank all foreign exchange contract liabilities on demand by the bank and, until demanded, the Fund pays them as they are due. As at March 31, 2008, no borrowings remain outstanding in respect of this facility.

United States Credit Facilities

The U.S. credit facilities include:

(iv) a revolving variable rate operating loan of up to $5,000 with a term of 364 days (the "US Operating Loan"); and
(v) a non revolving variable rate capital loan of $15,675 which matures on June 20, 2016 (the "US Capital Loan").

The US Capital Loan amortizes on a 10-year schedule, with quarterly principal repayments of $475. The term may be renewed beyond such date only upon the amendment of the facility. As at March 31, 2008, borrowings under the term loan facility are subject to fixed rates of interest, on varying principal amounts, ranging from 4.80% to 6.206%, with expiration dates in March 2009. The total fixed portion of the term loan facility is US$14 million. The interest rate on the unfixed portion is LIBOR plus 2.50% (5.45% as at March 31, 2008). Interest on the US Capital Loan will be, at the Fund's option, seven day LIBOR plus the applicable margin, LIBOR plus the applicable margin or a quoted fixed rate. The applicable margin will be based on the Fund's ratio of long-term debt to adjusted equity.

Accrued interest payable on the US Operating Loan as at March 31, 2008 was $81 and $90 at December 31, 2007 and these amounts are included in accounts payable and accrued liabilities. As at March 31, 2008, the interest rate is 5.45% and 6.99% at December 31, 2007. The interest expense for the three months ended March 31, 2008 and March 31, 2007 are $247 and $290, respectively. As at March 31, 2008, VFLP was in compliance with all covenants. The interest rate on the US Operating Loan is LIBOR plus 2.25%. There were no borrowings outstanding under the US Operating Loan as at March 31, 2008.

APDI and its wholly owned subsidiary, Village Farms of Delaware, L.L.C., have guaranteed the obligations under the U.S. credit facilities agreement, and the borrowings are secured by a first lien and security interest in all of the assets of VFLP, APDI and Village Farms of Delaware, L.L.C; accordingly, such obligations rank senior to the securities of VFCLP indirectly held by the Fund. The loan agreement requires VFLP to satisfy certain affirmative and negative covenants including a minimum debt service coverage and current ratio. In addition, VFLP will be permitted to declare and pay distributions of up to 50% of distributable income as defined therein. At March 31, 2008 and December 31, 2007, VFLP was in compliance with all covenants.

Contractual Obligations and Commitments

Information regarding the Fund's contractual obligations at March 31, 2008 is set forth in the table below:

(in thousands of dollars)	**Total**	**1 year or less**	**2-3 years**	**4-5 years**	**More than 5 years**
Long-term debt	$60,343	$3,148	$6,561	$44,559	$6,175
Capital leases	1,171	322	644	205	-
Operating leases	5,361	923	1,844	1,723	871
Total	$66,875	$4,393	$9,049	$46,487	$7,046

Capital Expenditures

During the three month period ended March 31, 2008, the Fund purchased approximately $566 in capital assets. These purchases were financed from cash from operations. Management, as part of its strategic initiatives to reduce future operating costs and support growth, has budgeted for the financing of capital expenditures from a combination of cash flows from operations, the sale of existing assets and borrowings, as considered appropriate.

Management expects new capital expenditures to support its strategic plan of achieving cost efficiencies through increased productivity of capital assets. Management may elect, when appropriate, to sell inefficient or non-strategic assets to produce cash to wholly or partially finance new capital expenditures. The Fund will also borrow to maintain, improve and replace capital assets when the return on such investments exceeds targeted thresholds for internal rates of return. There can be no assurance, however, that sources of financing will be available, or will be available on terms favourable to the Fund, or that these strategic initiatives will achieve adequate cost reduction in actual implementation or in light of the competitive pressures on the cost of raw materials and other factors of production. However, management believes that capital resources available to the Fund will be sufficient to support its capital expenditures.

During the three month ended period March 31, 2008, the Fund incurred $525 in cost to maintain its capital assets. Management estimates approximately $2,000 of annual cost to maintain the capital assets.

Summary of Quarterly Results

For the three months ended:

(in thousands, except per unit amounts)	Mar 31, 2008	Dec 31, 2007	Sep 30, 2007	Jun 30, 2007	Mar 31, 2007	Dec 31, 2006	Oct 1, 2006	Jul 2, 2006
Revenue	$28,519	$31,959	$24,473	$32,883	$24,440	$29,950	$7,815	$16,034
Net earnings (loss)	3,276	4,779	(3,404)	(1,883)	2,914	(101)	(678)	(2,634)
Basic earnings (loss) per Unit	$0.09	$0.13	($0.07)	($0.05)	$0.08	$0.00	($0.03)	($0.10)
Diluted earnings (loss) per Unit	$0.08	$0.12	($0.07)	($0.05)	$0.08	$0.00	($0.03)	($0.10)

The foregoing presentation reflects the historical results of the Fund's U.S. operations, with 11 weeks of the Fund's Canadian operations included for the quarter ended December 31, 2006. The Fund's Canadian operations peak production period is in the summer months, with no production during the winter season. As a result, prices for products from the Fund's Canadian operations have historically followed a seasonal trend of higher prices at the start and end of its crop year, with lower prices in the summer months when the supply of product is greatest. Conversely, the Fund's U.S. operations year round production allows it to realize higher margins during the October through March period, when the reduced supply of greenhouse produce in North America generally results in higher produce prices. The complementary nature of the growing seasons of the Fund's Canadian and U.S. operations is expected by management of the Fund to contribute to more predictable and stable cash flows for the Fund throughout the year.

Market for Securities

The Fund’s ordinary units are traded on the Toronto Stock Exchange under the symbol VFF.UN. The following table summarizes the high and low sales prices of the ordinary units and the trading volume for the periods indicated, as reported by the Toronto Stock Exchange.

	High	Low	Volume
2007			
January	3.21	2.68	395,100
February	3.20	3.05	285,137
March	3.17	2.85	186,307
April	3.20	2.90	448,679
May	3.62	3.11	211,856
June	3.55	3.25	69,001
July	3.47	3.28	145,990
August	3.28	2.80	108,397
September	2.99	2.84	66,621
October	3.00	2.57	123,830
November	2.89	2.45	261,260
December	2.66	2.20	732,590
2008			
January	2.70	2.05	198,437
February	2.53	2.12	108,677
March	2.40	2.11	374,921
April	2.64	2.30	50,929
May 1-9	2.31	2.20	77,541

Outlook

Overview

Management is committed to employing its strategies with the goal of continuously delivering value to its unitholders. Management's objective is continuous improvement, which equates to continuous revenue growth coupled with effective cost management. The Fund will continue to look for ways to expand its operations and increase its market share. The Fund's strengths include the following: organic growth, growth through strategic acquisition, growth through exclusive marketing agreements with other greenhouse operations, strong competitive position, a solid customer base and disciplined cost control. Management of the Fund remains committed to actively managing these strengths in the future.

Maintenance expenditures

For fiscal 2008, maintenance expenditures, representing the replacement of capital to sustain current business operations, are expected to approximate $2,000 to $2,500 for the Canadian and U.S. operations. These expenditures are expected to be incurred evenly throughout the year.

Growth expenditures

Growth expenditures represent capital and greenhouse asset additions required to meet the demands of growth or expenditures that specifically benefit a future period or periods. For 2008, management expects to incur growth expenditures that will benefit a future period or periods and to grow the Fund's greenhouse operations.

Liquidity

Management of the Fund remains active in its review of interest rate alternatives and foreign currency exchange rates.

Other

Taxation of income trusts

On October 31, 2006, the Minister of Finance (Canada) announced proposed changes to the income tax treatment of distributions and allocations to and from the Fund. On June 12, 2007, the proposed legislation, with certain modifications, passed third reading and received royal assent on June 22, 2007. The proposals, which are effective for the 2011 taxation year, subject to certain conditions, make certain income earned by the Fund taxable in a manner similar to income earned by a corporation.

Financing strategic growth

One of management's principal objectives is to grow organically and through strategic acquisitions. Growth is dependent on the Fund's ability to access debt and equity in the capital markets. Any restrictions will affect the Fund's growth objective.

Distributions

Distributions are dependent on free cash flow available for distribution and other factors, including but not limited to the Fund's ability to access debt and equity being in the capital markets. The rate of distribution declared per trust unit and by extension dividends on the participating preferred securities of VF U.S. Holding Inc., is reviewed by the Trustees from time to time.

Internal Control over Financial Reporting

Our management, including the CEO and CFO of VF Canada GP Inc. ("VF Canada GP") is responsible for establishing and maintaining adequate internal control over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP. There was no change in the Fund's internal control over financial reporting that occurred during 2008 or 2007 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Risks and Uncertainties

The Fund is subject to various risks and uncertainties which are summarized below. Additional details are contained in the Fund's current Annual Information Form filed on SEDAR, which can be accessed electronically at *www.sedar.com*.

Risks Relating to the Fund

- Product Pricing
- Maintain Profitability
- Risks Inherent in the Agricultural Business
- Natural Catastrophes
- Vulnerability to Rising Energy Costs
- Competition
- Labour
- Foreign Exchange Exposure
- Key Executives
- Risk of U.S. Taxation of Canadian Entity Under Employment Arrangements
- Uninsured and Underinsured Losses
- Governmental Regulations
- Enforcement of Indemnities Against the VF Owners
- Risks Associated with Cross Border Trade
- Growth
- Control of the Fund
- Statutory Remedies
- Accounting Estimates
- Retail Consolidation
- Product Liability
- Technological Advances
- Transportation Disruptions
- Dependence Upon Credit Facilities
- Risks of Regulatory Change

Risks Related to the Structure of the Fund

- Cash Distributions Are Not Guaranteed and Will Fluctuate with the Fund Performance
- Nature of Units
- Redemption Right
- Dependence on Subsidiaries
- Restrictions on Potential Growth
- Dilution of Existing Unitholders
- Future Sales of Units by or on Behalf of the VF Owners
- Price Fluctuation
- Distribution of Securities on Redemption or Termination of the Fund
- Restrictions on Ownership of Units by Non Resident Holders
- Unitholder Liability
- Leverage, Restrictive Covenants and Capital Requirements

Risks Related to Tax

- Income Tax Matters — Canada

- Income Tax Matters — United States
- Potential U.S. Permanent Establishment of VF Canada GP, VFCLP and Village Farms Operating Trust
- Advances by VF Operations Canada Inc. to U.S. Holdings
- Participating Preferred Shares
- Transfer Pricing
- U.S. Real Property Holding Corporation

Financial and Other Instruments

Village Farms uses financial and other instruments to control costs and to bring a measure of certainty to some costs that can vary. In the past year, forward contracts for natural gas were utilized to bring certainty to the cost of this supply, as well as interest rate swaps to lower the effective interest cost. Associated with these instruments is the risk that the price or rate obtained through the instrument will be higher than the price or rate at any particular point in time. These risks are managed by obtaining and acting upon professional advice regarding the instrument in question; however, inherent with the use of these instruments is the risk that losses will occur. Gains and losses arising from the periodic translation of financial instruments, including interest rate swaps and foreign currency forward contracts, are recorded as such in the consolidated statement of operations of the Fund. The commodity purchase contracts are carried at cost less accumulated amortization and are reviewed for impairment if conditions indicate that impairment might exist. The critical assumptions used in the impairment tests are a comparison of forward commodity prices at the time of the impairment test relative to the price prevailing in each contract.

Off-Balance Sheet Arrangements

The Fund does not have any off-balance sheet arrangements.

Critical Accounting Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting periods. The Fund's most significant estimates are inventory valuation, accounts receivable allowance for doubtful accounts and the assessment of the useful lives and recoverable values of its long-lived assets. Actual results could differ materially from those estimates.

Changes in Accounting Policies

The Fund utilizes Canadian generally accepted accounting principles in preparation of these consolidated financial statements.

Change in functional and reporting currency

Effective January 1, 2007, the functional currency of the Fund changed to the United States dollar. Concurrent with the change in its functional currency, the Fund adopted the United States dollar as its reporting currency. The consolidated financial statements of the Fund for the comparative period ended October 1, 2006 were originally prepared using a United States functional currency.

Fiscal period

Effective January 1, 2007, the Fund and all of its subsidiaries began operating under a calendar fiscal year with a year-end date of December 31 of each year.

Financial Instruments, Hedges and Comprehensive Income

CICA Handbook section 3855, Financial Instruments – Recognition and Measurement and section 1530, Comprehensive Income, became applicable to the Fund on January 1, 2007.

Section 3855 established standards for recognizing and measuring financial instruments and non-financial derivatives. The standard specifies how financial instruments should be recorded on the balance sheet and how gains and losses from the changes in fair value of financial instruments should be recognized. The standard effectively provides the option of carrying all financial instruments on the balance sheet at fair value. For certain financial instruments, such as derivatives, fair value recognition is mandatory while for others there is the option of using either fair value or amortized cost as the basis of measurement. With respect to financial instruments other than derivatives, the adoption of section 3855 did not have a material impact on the Fund because the Fund's non-derivative financial instruments continue to be carried at amortized cost under the new accounting standard.

Section 1530 introduced the concept of comprehensive income and provides alternatives for the disclosure of other comprehensive income. Accumulated other comprehensive income is a new caption within the unitholders' equity section of the consolidated balance sheet. Other comprehensive income includes certain unrealized items affecting the carrying amounts of assets and liabilities that are not included in net income. The Fund has adopted this new standard effective January 1, 2007 on a prospective basis. Management is of the opinion that if any restatement of comparative financial statements was required, its effect would be immaterial.

Forward-looking Statements

This MD&A contains certain "forward looking statements". These statements relate to future events or future performance and reflect our expectations regarding our growth, results of operations, performance, business prospects, opportunities or industry performance and trends. These forward looking statements reflect our current internal projections, expectations or beliefs and are based on information currently available to us. In some cases, forward looking statements can be identified by terminology such as "may", "will", "should", "expect", "plan", "anticipate", "believe", "estimate", "predict" , "potential", "continue" or the negative of these terms or other comparable terminology. A number of factors could cause actual events or results to differ materially from the results discussed in the forward looking statements. In evaluating these statements, you should specifically consider various factors, including, but not limited to, such risks and uncertainties as availability of resource, competitive pressures and changes in market activity, risks associated with U.S. and international sales and foreign exchange, regulatory requirements and all of the other matters discussed under "Risk Factors" and elsewhere in this MD&A. Actual results may differ materially from any forward looking statement. Although we believe that the forward looking statements contained in this MD&A are based upon reasonable assumptions, you cannot be assured that actual results will be consistent with these forward looking statements. These forward looking statements are made as of the date of this MD&A, and other than as specifically required by applicable law, we assume no obligation to update or revise them to reflect new events or circumstances.

Public Securities Filings

You may access other information about the Fund, including our annual information form and our other disclosure documents, reports, statements or other information that we file with the Canadian securities regulatory authorities, through SEDAR at www.sedar.com.