Village Farms International, Inc.

(formerly known as Village Farms Income Fund)

Management's Discussion and Analysis

Three and Nine Months Ended September 30, 2010

November 12, 2010

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 unaudited interim consolidated financial statements and accompanying notes of Village Farms International, Inc. ("VFF" and, together with its subsidiaries, the "Company"), for the three and nine months ended September 30, 2010. The information provided in this MD&A is current to November 12, 2010 unless otherwise noted.

VFF is a corporation existing under the *Canada Business Corporations Act*. The Company's principal operating subsidiaries at September 30, 2010 are Village Farms Canada Limited Partnership ("VFCLP") and Village Farms, L.P. ("VFLP").

Business Overview

Management believes that the Company is one of the largest producers, marketers and distributors of premium-quality, greenhouse-grown tomatoes, bell peppers and cucumbers in North America. This premium product is grown in sophisticated, highly intensive agricultural greenhouse facilities located in British Columbia and Texas. The Company also markets and distributes premium tomatoes, peppers and cucumbers produced under exclusive arrangements with other greenhouse producers. The Company markets and distributes under its Village Farms® brand name, primarily to retail supermarkets and dedicated fresh food distribution companies throughout the United States and Canada. It currently operates four distribution centres located across the United States and Canada. Since its inception, the Company 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.

The Company's assets include seven greenhouses providing 916,158 square metres (232 acres) of growing space in Canada and the United States. All of the Company's greenhouses are constructed of glass, aluminum and steel, and are located on land owned or leased by the Company. The Company also has exclusive marketing agreements with growers in the United States, Canada and Mexico that currently operate approximately 743,000 square metres (203 acres) of growing area.

The following table outlines the Company's greenhouse facilities:

Greenhouse Facility	Growing Area: Square Metres	Growing Area: Acres	Products Grown
Marfa, TX (3 greenhouses)	318,460	82	Tomatoes on-the-vine, beefsteak tomatoes, specialty tomatoes, long English cucumbers, mini cucumbers
Fort Davis, TX (1 greenhouse)	156,530	40	Tomatoes on-the-vine, specialty tomatoes
Delta, BC (3 greenhouses)	441,168	110	Tomatoes on-the-vine, beefsteak tomatoes, specialty tomatoes
Total	916,158	232	

Crop Cycles

The growing cycle at the Company's greenhouse facilities occurs over a 14-month period.

Northern Facilities

The Canadian facilities begin their growing cycles 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 or early December. These plants are removed from the greenhouse and replaced with new seedlings from October's late 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 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 their growing cycles in May of one year and extend into 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 late June or 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.

International Consulting

The Company continues to discuss feasibility studies of the closed greenhouse system for companies outside of North America. The Company's role would be to provide consulting services for the building and operation of these greenhouses.

Marketing

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

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

The Company has distribution capabilities that it believes exceed those of most of its competitors in the North American greenhouse vegetable industry. With owned or leased distribution centres in Delaware, Texas, Washington and British Columbia, the Company provides its customers with flexibility in purchasing. For the nine months ended September 30, 2010, the Company had an on-time delivery record of 99.6%, while maintaining competitive freight rates that management of the Company believes to be among the best in the industry.

The Company's marketing strategy is to strategically position the Company 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 Company 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 Company's operations, and management believes that it has led and currently leads the industry in adopting Good Agricultural Practices. This program is modeled after the U.S. Food and Drug Administration's Good Manufacturing Practices using the Primus Labs® format and third party auditors. All of the Company's packing facilities undergo 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 Company plus third-party produce) is sold directly to supermarket chains, including Albertson's Inc., Associated Grocers, Associated Wholesale Grocers, BJ's Wholesale Club Inc., Costco Wholesale, Fred Meyer, The Golub Corporation, HEB Grocery Company, The Kroger Co., Loblaw Companies Limited, Market Basket, Meijer, Inc., Military Produce, Publix Super Markets, Inc., Safeway Inc., Safeway Canada, Unified Western Grocers, Wakefern Food Corp., Wal-Mart Stores, Inc., Wegmans Food Markets Inc., Weis Markets, Whole Foods Market and Winco Foods LLC.
- **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 the Company believes it has a competitive advantage through its logistics and distribution networks, which includes strategically located distribution centres.

The Company markets, sells and distributes all of its products, including products sold under exclusive marketing arrangements with its U.S., Canadian and Mexican greenhouse operations.

Results of Operations

Consolidated Financial Performance
(In thousands of US dollars, except per share/unit amounts, unaudited)

	For the three months ended September 30,		**For the nine months ended September 30,**	
	2010	**2009**	**2010**	**2009**
Revenue	$35,487	$32,711	$113,065	$96,927
Gross profit	1,995	935	18,483	7,359
Selling, general and administrative expenses	3,409	2,675	9,580	8,489
Interest expense, net	699	817	2,078	2,419
Other (income)/expense	(1,027)	1,288	(390)	(219)
Provision for (recovery of) income taxes	(534)	(1,068)	2,241	(820)
Net earnings (loss) and comprehensive earnings (loss)	(552)	(2,777)	4,974	(2,510)
EBITDA (1)	1,098	(292)	14,548	3,359
Net earnings (loss) per share/unit basic and diluted	($0.01)	($0.07)	$0.13	($0.06)

(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. Management believes that EBITDA is a useful supplemental measure in evaluating the performance of the Company. See “Non-GAAP Measures” and “Reconciliation of Net Earnings to EBITDA”.

Results of Operations for the Three Months Ended September 30, 2010 Compared to the Three Months Ended September 30, 2009

Revenue

Revenue for the three month period ended September 30, 2010 increased $2,776, or 8%, to $35,487 from $32,711 for the three month period ended September 30, 2009. The increase in revenue was primarily due to a 22% increase in tomato pricing from the same period in 2009.

The average selling price, for the three months ended September 30, 2010 versus the three months ended September 30, 2009; for tomatoes was an increase of 13%, for peppers was a increase of 38% and for cucumbers was an increase of 27%. The tomato price increase in the third quarter of 2010 was a result of a return to normalized consumer demand versus depressed demand in 2009. For the three months ended September 30, 2010, total tomato pounds remained the same as the comparable period in 2009; pepper pounds sold for the three months ended September 30, 2010 decreased 17% over the comparable period in 2009 and cucumber pieces sold for the three months ended September 30, 2010 decreased 10% over the comparable period in 2009. The volume of peppers and cucumbers sold decreased due to the reduction in supply by a supply partner provider under contract with the Company.

Gross Profit

Gross profit for the three month period ended September 30, 2010 increased $1,060, or 113%, to $1,995 from $935 for the three month period ended September 30, 2009. Gross profit margins increased 3% to 6% for the three month period ended September 30, 2010 from 3% for the three month period ended September 30, 2009, primarily due to higher selling prices for produce.

Selling, General and Administrative Expenses

Selling, general and administrative expenses for the three month period ended September 30, 2010 increased $734, or 27%, to $3,409 from $2,675 for the three month period ended September 30, 2009. The increase was primarily due to higher 2010 personnel costs, as well as the three month period ended September 30, 2009 benefiting from a $216 bad debt expense reversal (income). Excluding the 2009 bad debt reversal, the increase was $518, or 18%.

Interest Expense, Net

Interest expense, net, for the three month period ended September 30, 2010 decreased $118, or 14%, to $699 from $817 for the three month period ended September 30, 2009. The decrease was due to lower debt balances.

Other Income

Other income for the three month period ended September 30, 2010 increased $2,315 to $1,027 from an expense of ($1,288) for the three month period ended September 30, 2009. The increase was due to the receipt of a subsidy of $1,030 from the Canadian government in the 2010 period and the recognition of foreign exchange income in 2010 versus a foreign exchange loss in 2009. The Canadian government subsidy related to a prior period in which Village Farms Canada did not make its average gross margin in its given year. The Company does not expect to receive any additional payments.

Net Earnings (Loss) and Comprehensive Earnings (Loss)

Net earnings and comprehensive earnings for the three month period ended September 30, 2010 increased $2,225 to ($552) from a net loss and comprehensive loss of ($2,777) for the three month period ended September 30,

2009. The increase was due to higher gross profit partially offset by an increase in future income tax expense, loss on derivatives and foreign currency loss.

Income Taxes

Income tax expense for the three month period ended September 30, 2010 was $534 compared to a recovery of $1,068 for the three month period ended September 30, 2009.

EBITDA

EBITDA for the three month period ended September 30, 2010 increased $1,390 to $1,098 from ($292) for the three month period ended September 30, 2009, primarily due to an increase in gross profit, offset by higher selling and administrative expenses plus the receipt of a subsidy from the Canadian government. See the EBITDA calculation in "Non-GAAP Measures - Reconciliation of Net Earnings to EBITDA."

Results of Operations for the Nine Months Ended September 30, 2010 Compared to the Nine Months Ended September 30, 2009

Revenue

Revenue for the nine month period ended September 30, 2010 increased $16,138, or 17%, to $113,065 from $96,927 for the nine month period ended September 30, 2009. The increase in revenue was primarily due to higher pricing throughout most of 2010 versus 2009. The comparable period pricing for the Company's tomato products was 19% higher in 2010 versus 2009.

The increase in the average selling price, for the nine months ended September 30, 2010 versus the nine months ended September 30, 2009, for tomatoes was 25%, for peppers was 42% and for cucumbers was 14%. The price increase for tomatoes during the nine months ended September 30, 2010 was a result of average pricing returning to historical averages from low price levels for the nine months ended September 30, 2009. This higher pricing was due to a stronger consumer demand for tomatoes, as measured by The Nielsen Company, in 2010 compared to 2009. For the nine months ended September 30, 2010, tomato pounds sold increased 1,221,000 pounds over the same period in 2009; the increase was due to increases in the Company's own production and increases in supply from third party providers under contract with the Company. Pepper pounds sold for the nine months ended September 30, 2010 decreased 27% over the same period in 2009 and cucumber pieces sold for the nine months ended September 30, 2010 decreased 6% over the same period in 2009. Peppers pounds sold decreased due to the reduction in supply by a supply partner provider under contract with the Company.

Gross Profit

Gross profit for the nine month period ended September 30, 2010 increased $11,124, or 151%, to $18,483 from $7,359 for the nine month period ended September 30, 2009, due to the explanations indicated under "Revenue". Gross profit margin increased to 16% for the nine months ended September 30, 2010 compared to 8% for the nine months ended September 30, 2009.

Selling, General and Administrative Expenses

Selling, general and administrative expenses for the nine month period ended September 30, 2010 increased $1,091, or 13%, to $9,580 from $8,489 for the nine month period ended September 30, 2009. The increase was primarily due to higher personnel costs.

Interest Expense, Net

Interest expense, net for the nine month period ended September 30, 2010 decreased $341, or 14%, to $2,078 from $2,419 for the nine month period ended September 30, 2009. The decrease was due to the continued reduction in debt balances.

Other Income

Other income for the nine months ended September 30, 2010 increased $171 to $390 from $219 for the nine months ended September 30, 2009. The increase was due to the sale of an unused asset and a subsidy from the Canadian government in the 2010 period.

Net Earnings and Comprehensive Earnings

Net earnings and comprehensive earnings for the nine month period ended September 30, 2010 increased $7,484, or 298%, to $4,974 from ($2,510) for the nine month period ended September 30, 2009. The increase was primarily attributable to an increase in gross profit from higher pricing, partially offset by an increase in other costs and the provision for income taxes.

Income Taxes

Income tax expense for the nine month period ended September 30, 2010 was $2,241 compared to a recovery of ($820) for the nine month period ended September 30, 2009.

EBITDA

EBITDA for the nine month period ended September 30, 2010 increased $11,189, or 333%, to $14,548 from $3,359 for the nine month period ended September 30, 2009, primarily due to the increase in gross profit, partially offset by an increase in other costs. See the EBITDA calculation in "Reconciliation of Net Earnings to EBITDA."

Selected balance sheet data

	September 30, 2010	December 31, 2009
Total assets	$104,211	$99,083
Total liabilities	$70,646	$70,522
Shareholders' equity	$33,565	$28,561

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. 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 Company's performance or to cash flows from operating, investing and financing activities as measures of liquidity and cash flows.

Reconciliation of Net Earnings to EBITDA

Management believes that EBITDA is an important measure in evaluating the historical performance of the Company. 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 Company's performance, or cash flows

from operating activities as a measure of liquidity and cash flow. The Company defines and has computed EBITDA as described under “Non-GAAP Measures”.

The following table presents the reconciliation of net earnings (loss) to EBITDA:

(in thousands of US dollars, unaudited)	**For the three months ended September 30,**		**For the nine months ended September 30,**	
	2010	**2009**	**2010**	**2009**
Net earnings (loss)	($552)	($2,777)	$4,974	($2,510)
Add:				
Amortization	1,457	1,422	4,314	4,333
Foreign currency exchange loss (gain)	(100)	829	45	409
Interest expense	699	817	2,078	2,419
Income tax expense (recovery)	(534)	(1,068)	2,241	(820)
Stock compensation (a)	11	-	30	-
Derivatives expense (income)	117	485	536	(435)
Loss (gain) on sale of assets	-	-	330	(37)
EBITDA	$1,098	($292)	$14,548	$3,359

(a) On December 31, 2009, the Company implemented a new share-based compensation plan. The maximum number of common shares of VFF that can be issued upon the exercise of options granted is equal to 10% of the aggregate number of common shares of VFF issued and outstanding from time-to-time. The maximum period during which an option may be exercised is ten years from the date of the grant. For the nine-month period ended September 30, 2010, VFF granted 349,999 options at a weighted average exercise price of CAD$0.70 per common share. No options were outstanding for the three and nine month periods ended September 30, 2009. Options vest at a rate of 33% per year, beginning one year following the grant date of the options.

Liquidity

Cash flows

The Company 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, if needed, from additional borrowings under its existing credit facilities or other long-term facilities, including capital leases.

For the three months ended September 30, 2010, cash flows from operating activities before changes in non-cash operating working capital was $1,437 (2009 – ($965)) and for the nine months ended September 30, 2010 was $11,183 (2009 - $1,728).

Capital expenditures totalled $516 for the three months ended September 30, 2010 (2009 - $410) and $1,863 for the nine month period ended September 30, 2010 (2009- $1,423).

The cash used in financing activities for the three months ended September 30, 2010 was ($873) (2009 – ($4,632)) and for the nine months ended September 30, 2010 was ($2,710) (2009 - ($2,448)), and primarily consisted of debt payments for the three months ended September 30, 2010 of $815 (2009 - $807) and $2,449 for the nine months ended September 30, 2010 (2009 - $2,421).

Capital resources

(in thousands of US dollars unless otherwise noted - unaudited)	**Maximum**	**Outstanding September 30, 2010**
CAD Operating Loan (i)	CAD$12,000	$-
CAD Capital Loan (ii)	$41,358	$41,358
CAD FX Facility (iii)	-	-
US Operating Loan (iv)	$5,000	-
US Capital Loan (v)	$10,925	$10,925

Canadian Credit Facilities

The Canadian credit facilities include:

(i) Revolving variable rate operating loan of up to CAD$12,000 with a term of 364 days (the "CAN Operating Loan") ;
(ii) Non-revolving variable rate capital loan with a balance of $41,358 with a maturity date of October 31, 2011 (the "CAN Capital Loan"); and
(iii) Foreign exchange contracts facility for the purchase and/or sale of U.S. funds (the "CAN FX Facility").

Interest payable on funds borrowed under the Canadian credit facilities are calculated by way of one or more of Canadian Prime Rate borrowings, Credit Instrument borrowings, U.S. Base Rate borrowings, LIBOR borrowings, Bankers' Acceptances borrowings, Cost of Funds borrowings, or any combination thereof.

The CAN Operating Loan is subject to annual renewal by the bank. No amount was drawn on the CAN Operating Loan as at September 30, 2010 and December 31, 2009. The outstanding balance of the CAN Capital Loan is repayable by way of 48 monthly installments of principal and interest based on an amortization of the CAN Capital Loan in full over a period of 20 years, with the balance and any accrued interest to be paid in full on October 31, 2011. The Company is in discussions with its Canadian lender to extend the term of this operating loan to October 31, 2013.

Accrued interest payable on the Canadian credit facilities and loans as at September 30, 2010 was $13 (December 31, 2009 - $13) and these amounts are included in Accounts payable and accrued liabilities. As at September 30, 2010, the interest rate was 2.26% (September 30, 2009 – 2.25%). The Company has entered into a fixed for floating rate interest rate swaps with fixed rates of 5.32% to 5.70% as fully described in note 10 of the Company's financial statements for the three and nine month periods ended September 30, 2010. The interest expense for the three months ended September 30, 2010 was $605 (September 30, 2009 - $666) and for the nine months ended September 30, 2010 was $1,810 (September 30, 2009 - $1,971).

As security for the borrowings, VFCLP has provided, among other things, promissory notes, a first mortgage on certain greenhouse properties, and general security agreements over its assets. The borrowings are subject to certain positive and negative covenants. During the periods ended September 30, 2010 and 2009, VFCLP was in compliance with all covenants on the Canadian credit facilities.

VFCLP and certain of its direct and indirect subsidiaries have provided full recourse guarantees for the Canadian credit facilities and have granted security therein. The Canadian credit facilities, in all cases, are senior in priority to the securities of VFCLP held by the Company, which have been pledged as collateral. The carrying value of the assets and securities pledged as collateral as at September 30, 2010 was $63,488 (December 31, 2009 - $66,599).

United States Credit Facilities

The U.S. credit facilities include:

(iv) Revolving variable rate operating loan of up to $5,000 with a term of 364 days (the "US Operating Loan"); and

(v) Non-revolving variable rate capital loan maturing on June 20, 2016 (the “US Capital Loan”).

The US Capital Loan is amortized on a 10-year schedule, with quarterly principal payments of $475. The term may be renewed beyond June 20, 2016 only upon amendment of the facility. As at September 30, 2010, borrowings under the US Capital Loan facility were subject to LIBOR plus 3.00%. Interest on the US Capital Loan will be, at the Company’s option, seven-day LIBOR plus the applicable margin, or the one, two, three or nine month LIBOR plus the applicable margin or a quoted fixed rate. The applicable margin will be based on the Company’s ratio of long term debt to adjusted equity. As at September 30, 2010, the Company used the seven-day LIBOR plus a margin of 3.00%.

Accrued interest payable on the US credit facilities as at September 30, 2010 was $30 (December 31, 2009 - $37) and these amounts are included in Accounts payable and accrued liabilities. As at September 30, 2010, the interest rate was 3.26% (September 30, 2009 – 3.50%). The interest expense for the three months ended September 30, 2010 was $95 (September 30, 2009 - $142) and $304 for the nine months ended September 30, 2010 (September 30, 2009 - $421). As at September 30, 2010, VFLP was in compliance with all covenants. The interest rate on the US Operating Loan is LIBOR plus 3.00%. There were no borrowings outstanding under the US Operating Loan as at September 30, 2010 and December 31, 2009.

VFF and all of its U.S. subsidiaries 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 such subsidiaries; accordingly, such obligations rank senior to the securities of VFCLP held by the Company. The carrying amount of these assets and securities pledged as collateral as at September 30, 2010 was $63,488 (December 31, 2009 – $66,599). The loan agreement requires VFLP to satisfy certain affirmative and negative covenants including a minimum debt service coverage ratio and current ratio.

Contractual Obligations and Commitments

Information regarding the Company’s contractual obligations at September 30, 2010 is set forth in the table below:

(in thousands of US dollars - unaudited)	**Total**	**Less than 1 year**	**1-3 years**	**4-5 years**	**More than 5 years**
Long-term debt	$52,283	$3,260	$43,798	$3,800	$1,425
Capital leases	343	301	42	-	-
Operating leases	4,221	1,103	2,100	900	118
Total	$56,847	$4,664	$45,940	$4,700	$1,543

Capital Expenditures

During the three and nine month periods ended September 30, 2010, the Company purchased approximately $516 and $1,863, respectively, of 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 cash flows from operations.

Management expects new capital expenditures to support its strategic plan of achieving cost efficiencies through increased productivity of capital assets. Management may elect, where appropriate, to sell inefficient or non-strategic assets to produce cash to wholly or partially finance new capital expenditures. The Company 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 Company, or that these strategic initiatives will achieve adequate cost reductions 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 Company will be sufficient to support its capital expenditures.

During the three and nine month periods ended September 30, 2010, the Company incurred $357 and $1,252, respectively, in costs to maintain its capital assets. Management estimates that the Company will require approximately $1,650 of annual costs to maintain the capital assets.

Summary of Quarterly Results

For the three months ended:

(in thousands of US dollars except per share/unit amounts, unaudited)	Sep 30, 2010	Jun 30, 2010	Mar 31, 2010	Dec 31, 2009	Sep 30, 2009	Jun 30, 2009	Mar 31, 2009	Dec 31, 2008
Revenue	$35,487	$46,476	$31,102	$33,597	$32,711	$42,773	$21,443	$30,422
Net earnings (loss)	($552)	$1,327	$4,199	$9,179	($2,777)	($374)	$640	($1,091)
Basic earnings (loss) per share/unit	($0.01)	$0.03	$0.11	$0.24	($0.07)	($0.01)	$0.02	($0.03)
Diluted earnings (loss) per share/unit	($0.01)	$0.03	$0.11	$0.24	($0.07)	($0.01)	$0.02	($0.03)

The Company's revenues and earnings are subject to a seasonal trend. The majority of the Company's earnings typically occur in the first and fourth quarters of a calendar year due to higher winter pricing. The Company's revenues are higher in the second quarter due to higher production volumes as all the US and Canadian greenhouses are in full production. See "Crop Cycle" for more information.

Financial Instruments and Risk Management

Risk Management

The Company is exposed to the following risks as a result of holding financial instruments: market risk, credit risk, interest rate risk, foreign exchange risk and liquidity risk. The following is a description of these risks and how they are managed by the Company.

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the marketplace.

Credit Risk

Credit risk is the risk that the Company will incur a loss due to the failure by its customers or other parties to meet their contractual obligations. Financial instruments that potentially subject the Company to significant concentrations of credit risk consist primarily of cash and cash equivalents and accounts receivable.

The Company limits its exposure to credit risk by placing its cash and cash equivalents with high credit quality financial institutions.

The Company's accounts receivable and other receivables do not have a customer who represents more than 10% of the balance of such receivables as at September 30, 2010. The Company believes that its accounts receivable risk is limited due to the high credit quality of its customers and the protection afforded to the Company by the *Perishable Agricultural Commodities Act* (the "PACA") for its sales in the United States, which represents approximately 80% to 85% of the Company's sales. The PACA protection gives a claim filed under the PACA, first lien on all PACA assets (which includes cash and accounts receivable). The PACA fosters trading practices in the marketing of fresh and frozen fruits and vegetables in interstate and foreign commerce. It prohibits unfair and fraudulent practices and provides a means of enforcing contracts. Historical write-offs have represented less than 1% of sales. The maximum amount of credit risk exposure is limited to the carrying amount of the balances on the financial statements.

Given the current economic environment, accounts receivable for each customer at quarter end were evaluated for collectability and an allowance for doubtful accounts has been estimated. A general provision is also taken based on the Company's historic exposure to bad debts as a percentage of revenue. As at September 30, 2010, the allowance for doubtful accounts was $267 (December 31, 2009 - $267). In addition, the Company recorded a bad

debt expense of $nil during the three months ended September 30, 2010 (September 30, 2009 – a recovery of bad debts of $216) and for the nine months ended September 30, 2010 $nil (September 30, 2009 – a recovery of bad debts of $270).

At September 30, 2010, 0.8% (December 31, 2009 – 0.2%) of trade receivables were outstanding for more than 90 days, 10.0% (December 31, 2009 – 8.2%) were outstanding for between 30 and 90 days and the remaining 89.2% (December 31, 2009 – 91.6%) were outstanding for less than 30 days. Trade receivables are considered past due based on the contract terms agreed to with a customer. As noted above, aged receivables that are past due are not considered impaired unless customer specific information indicates otherwise.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company uses derivative instruments, specifically fixed for floating interest rate swaps, to reduce market exposures from changes in interest rates. The Company uses these derivative instruments only for risk management purposes and not for generating trading profits.

Environmental, Health and Safety Risk

The Company's operations are subject to national, regional and local environmental, health and safety laws and regulations governing, among other things, discharge to air, land and water, the handling and storage of fresh produce, waste disposal, the protection of employee health, safety and the environment. The Company's greenhouse facilities could experience incidents, malfunctions or other unplanned events that could result in discharges in excess of permitted levels resulting in personal injury, fines, penalties or other sanctions and property damage. The Company must maintain a number of environmental and other permits from various governmental authorities in order to operate. Failure to maintain compliance with these requirements could result in operational interruptions, fines or penalties, or the need to install potentially costly pollution control technology. Compliance with current and future environmental laws and regulations, which are likely to become more stringent over time, including those governing greenhouse gas emissions, may impose additional capital costs and financial expenditures, which could adversely affect the Company's operational results and profitability.

The Company is committed to protecting the health and safety of employees and the general public, and to sound environmental stewardship. The Company believes that prevention of incidents and injuries, and protection of the environment, benefits everyone and delivers increased value to its shareholders, customers and employees. The Company has health and safety and environmental management and systems and has established policies, programs and practices for conducting safe and environmentally sound operations. Regular reviews and audits are conducted to assess compliance with legislation and Company policy.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its debt obligations as they come due. The following are the contractual maturities of financial liabilities as at September 30, 2010:

(in thousands of US dollars – unaudited) Financial liabilities	Contractual cash flows	0 to 12 months	12 to 24 months	After 24 months
Accounts payable and accrued liabilities	$12,182	$12,182	$-	$-
Bank debt	52,283	3,260	47,298	1,725
Obligations under capital lease	359	316	43	-
	$64,824	$15,758	$47,341	$1,725

It is the Company's intention to meet these obligations through the collection of current accounts receivable and from cash on hand. The Company has available lines of credit of US$5,000 and CAD$12,000 (as at September 30, 2010, of which $nil was outstanding on the CAD Operating Loan, $nil on the U.S. Operating Loan and $945 and $124 of letters of credit on the US Operating Loan and the CAD Operating Loan, are outstanding,

respectively). If the current resources and cash generated from operations are insufficient to satisfy its obligations, the Company may seek to issue additional equity or to arrange debt or other financing.

Fair values

The carrying amount of short-term financial instruments, less provisions for impairment if applicable, is used to estimate the fair value of such instruments. The Company's debt bears a variable interest rate and therefore its carrying value approximates its fair value. The fair value of derivatives is determined based on published interest rates and contractual terms of the interest rate swap agreements. These swaps are subject to counterparty credit risk and the term of the swaps extend beyond the current loan agreement. The Company has entered into the agreements with a Canadian chartered bank to reduce the credit risk and is currently in discussions with its lender to extend the credit agreement beyond October 31, 2011. The Company has three fixed for floating interest rate swap agreements, effective from January 25, 2008 through January 25, 2013, in the notional amount of $40,900 in order to reduce the interest rate variability on its CAN Capital Loan. The Company has effectively fixed its interest expense on its CAN Capital Loan at 5.68%. The Company recognized a loss of $117 for the three months ended September 30, 2010 (September 30, 2009 – a loss of $485) and a loss of $536 for the nine months ended September 30, 2010 (September 30, 2009 – a gain $435), which represented the mark-to-market adjustment of the interest rate swap agreements. The Company could not designate the swap agreements as a hedge for accounting purposes. The fair value of the interest rate swap agreements as at September 30, 2010 was a liability of $2,628 (December 31, 2009 – ($2,092)). The interest rate swap agreements that remain outstanding at September 30, 2010 are as follows:

Term	Notional Amount	Interest Rate
January 25, 2008 - January 28, 2011	$1,200	5.32%
January 25, 2008 - January 28, 2012	$1,200	5.50%
January 25, 2008 - January 28, 2013	$38,500	5.70%

Outlook

Overview

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

Overall, management expects demand for fresh produce to increase over the prior year. Gross margin on these products is expected to increase due to an increased market price primarily due to increased consumer demand. Management is focused on a stronger emphasis on retailer contracts and improvements in the Company's channel mix to improve gross margin.

The Company is actively discussing financing for additional greenhouse facilities in the United States. Management believes that the credit market is receptive to financing the Company's organic growth plans. Management's assessment is based on current conditions and may be subject to change if, among other things, the credit environment deteriorates.

Growth expenditures

The Company continues to discuss with various third parties to develop new greenhouse facilities in the United States. The greenhouses would employ the closed greenhouse system that the Company has been using for the last three years in its research greenhouse.

Growth expenditures represent greenhouse assets and other capital additions required to meet the demands of growth or expenditures that specifically benefit a future period or periods. For the remainder of 2010, management expects to incur growth expenditures that will benefit a future period or periods and to grow the Company's greenhouse operations.

Financing strategic growth

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

Internal Control over Financial Reporting

Disclosure Controls and Procedures

The Chief Executive Officer and Chief Financial Officer of the Company, together with other members of management, have designed the Company's disclosure controls and procedures in order to provide reasonable assurance that material information relating to the Company and its consolidated subsidiaries would have been known to them, and by others, within those entities.

Management have also designed internal control over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with Canadian generally accepted accounting principles.

While the officers of the Company have designed the Company's disclosure controls and procedures and internal control over financial reporting, they expect that these controls and procedures may not prevent all errors and fraud. A control system, no matter how well conceived or operated, can only provide reasonable, not absolute, assurance that the objectives of the control system are met.

Internal Control over Financial Reporting

During the quarter ended September 30, 2010, there have been no changes in the Company's internal controls over financial reporting that has materially affected, or is reasonably likely to materially affect, the Company's internal controls over financial reporting.

Risks and Uncertainties

The Company is subject to various risks and uncertainties which are summarized below. Additional details are contained in the Company's current Annual Information Form dated March 26, 2010 filed on SEDAR, which is available electronically at *www.sedar.com*.

Risks Relating to the Company

- Product Pricing
- Maintain Profitability
- Risks Inherent in the Agricultural Business
- Natural Catastrophes
- Vulnerability to Rising Energy Costs
- Competition
- Labour
- Foreign Exchange Exposure
- Key Executives
- Uninsured and Underinsured Losses
- Environmental, Health and Safety Risk
- Governmental Regulations
- Risks Associated with Cross Border Trade
- Growth

- Accounting Estimates
- Retail Consolidation
- Product Liability
- Technological Advances
- Transportation Disruptions
- Dependence Upon Credit Facilities
- Risks of Regulatory Change
- Future Sales of common shares of VFF by or on Behalf of the Village Farms Owners

Risks Related to Tax

- Potential U.S. Permanent Establishment of Village Farms Canada GP Inc., VFCLP and VFF
- Advances by VF Operations Canada Inc. to VF U.S. Holdings Inc.
- Participating Preferred Shares
- Transfer Pricing

Off-Balance Sheet Arrangements

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

Critical Accounting Estimates

Accounts Receivable

Accounts receivable are measured at amortized cost and due within contractual payment terms and are stated at amounts due from customers net of an allowance for doubtful accounts. Credit is extended based on an evaluation of a customer's financial condition. Accounts receivable outstanding longer than the contractual payment terms are considered past due. The Company determines its allowance by considering a number of factors, including the length of time trade accounts receivable are past due, the Company's previous loss history and the customer's current ability to pay its obligation to the Company. The Company writes off accounts receivable when they become uncollectible, and payments subsequently received on such receivables are credited to the bad debt expense.

Inventories

Inventories of Company-grown produce consist of raw materials, labour and overhead costs incurred less costs charged to cost of sales throughout the various crop cycles, which end at various times throughout the year. Growing crops are valued at the lower of cost or net realizable value which is determined as sales less estimated cost of completion and cost to sell. Cost of sales is based upon incurred and estimated costs to be incurred of each crop allocated to both actual and estimated future yields over each crop cycle. The cost of produce inventory purchased from third parties is valued at the lower of cost or net realizable value which approximates replacement cost

Income Taxes

The Company utilizes the asset and liability method of accounting for income taxes under which future income tax assets and liabilities are recognized for the estimated future income tax consequences attributable to differences between the financial statement carrying value amount and the tax basis of assets and liabilities. Management uses judgment and estimates in determining the appropriate rates and amounts in recording future taxes, giving consideration to timing and probability. Actual taxes could vary significantly from these estimates as a result of future events, including changes in income tax law or the outcome of reviews by tax authorities and related appeals. The resolution of these uncertainties and the associated final taxes may result in adjustment to the Company's tax assets and tax liabilities.

Future income tax assets are recognized to the extent that realization is considered more likely than not. The Company considers past results, current trends and the outlook for future years in assessing the realizability of income tax assets.

Impairment of Long-Lived Assets

Long-lived assets are tested for impairment whenever circumstances indicate that the carrying value may not be recoverable. When events or circumstances indicate that the carrying value of long-lived assets, other than indefinite life intangibles, are not recoverable, the long-lived assets are tested for impairment by comparing the estimate of future expected cash flows to the carrying amount of the assets or groups of assets. If the carrying value of long-lived assets is not recoverable from future expected cash flows, any loss is measured as the amount by which the asset's carrying value exceeds fair value and recorded in the period. Recoverability is assessed relative to undiscounted cash flows from the direct use and disposition of the asset or group of assets.

Fair value under GAAP is defined as "the amount of the consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act". Assessing the fair value of intangible assets requires significant management estimates on discount rates to be applied in the analysis and future cash flows to be generated by the assets, including the estimated useful life of the assets. Discount rates are determined with reference to estimated risk adjusted market rates of return for similar cash flows and were increased in 2010 reflecting a higher risk premium. The Company performs sensitivity analysis on the discount rates applied. The discount rates used are subject to measurement uncertainty.

The Company performed the asset recoverability tests using undiscounted cash flows and grouped the definite lived assets at the lowest level for which the Company determined identifiable cash flows are largely independent of the cash flows of other assets and liabilities. This was determined to be the Canadian and U.S. operations. The cash flow analysis did not extend beyond the remaining useful life of the assets which was estimated as the remaining amortization period of the greenhouse assets in the Canadian and U.S. operations. Internal forecasts were used to derive revenues, cost of sales and other expenditures associated with the Canadian and U.S. operations. The forecasts reflected the market price of tomatoes and gross margins percentages consistent with those that have historically been realized.

Due to the above-noted considerations, which are based on the Company's best available information, the Company has not recorded any impairment charge on its long-lived assets during the nine months ended September 30, 2010. However, given the current state of the economy, the Company expects to continue to perform asset recoverability tests in future periods.

Property, Plant and Equipment

Property, plant and equipment are originally recorded at cost. Property under capital leases and the related obligation for future lease payments are initially recorded at an amount equal to the lesser of fair value of the property, plant or equipment and the present value of those lease payments.

Property, plant and equipment are depreciated to estimated residual values based on the straight-line method over their estimated service lives. Property, plant and equipment under capital leases within variable interest entities are depreciated to estimated residual values over the life of the lease.

Intangible Assets

The intangible assets of the Company were recorded at their estimated fair values at October 18, 2006. Intangible assets are subject to impairment tests under GAAP on an annual basis or when events or circumstances indicate a potential impairment. If the carrying value of such assets exceeds the fair values, the assets are written down to fair value. No write down was required as at September 30, 2010.

Changes in Accounting Policies

The Company utilizes Canadian generally accepted accounting principles in the preparation of its consolidated financial statements.

Goodwill and intangible assets

The Canadian Institute of Chartered Accountants ("CICA") issued Section 3064 "Goodwill and Intangible Assets" which establishes standards for the recognition, measurement, presentation and disclosure of Goodwill subsequent to its initial recognition and of intangible assets by profit orientated enterprises. The adoption of this new section did not have any material impact on the Company's financial statements.

EIC-170 – Conversion of an Unincorporated Entity to an Incorporated Entity

The EIC clarified certain accounting issues related to conversions when there is no change in control. In particular, it specifies that such a transaction should be treated as a change in business form and should be accounted for as a continuity of interests; and transaction costs should be treated as an expense in the period in which they are incurred and changes in tax balances would be included in tax expense (comparative information should be that of the pre-conversion entity, as previously reported). The Company applied this EIC to account for its conversion from an income fund to a corporation on December 31, 2009 and as the basis of presentation for these consolidated financial statements.

Future Accounting Changes

International Financial Reporting Standards ("IFRS")

In February 2008, the Canadian Accounting Standards Board ("AcSB") confirmed that publicly accountable enterprises will be required to adopt IFRS for fiscal years beginning on or after January 1, 2011, with early adoption permitted. Accordingly, the Company will transition from current Canadian GAAP to IFRS commencing with financial statement periods beginning January 1, 2011, with restated prior period comparatives.

The transition to IFRS may materially affect the Company's accounting policies and certain business transactions such as foreign currency and hedging transactions, certain contractual arrangements, debt covenants, capital requirements and compensation arrangements.

The Company's IFRS transition plan consists of three phases, Assessment, Evaluation and Design, and Implementation. The Assessment phase has been completed with a high level comparison of Canadian GAAP to IFRS and an assessment of the required internal and external resources needed to complete the transition plan. The Company is completing the Evaluation and Design phase of the transition plan which is outlined in the table below under "Summary of IFRS Transition Plan". The Company has performed a detailed evaluation of the impact the transitioning from Canadian GAAP to IFRS will have on the Company's Accounting Policies, Internal Controls, Disclosure Controls and Procedures, Business Activities, Financial Reporting Expertise and IT Infrastructure with findings and updates being reported to the Audit Committee. The Company will complete the Evaluation and Design phase and Implementation phases by the end of Q4.

IFRS 1, "*First Time Adoption Of International Financial Reporting Standards*" provides entities which are adopting IFRS for the first time with certain elections. The Company is evaluating the various elections and will implement those which are determined to be most appropriate to the Company's particular circumstances. Once these decisions are made, and their expected impact on the Company's reported results and financial position can be quantified, those impacts will be reported to the Audit Committee by the end of Q4.

Management's Evaluation and Design phase is still in progress, and IFRS 1 elections have not been finalized. The final impact on the transition from Canadian GAAP to IFRS may ultimately differ from those listed below. There are additional IFRS changes that will have an effect on the amount and types of disclosure made by the Company; these are not included since they will have no impact on the Company's reported results.

IFRS 2 - *Share Based Payments*:
IFRS 2 prescribes different methods for valuing options which vest in different time periods. The impact will result in accelerating the stock based compensation expense for future options granted. The impact of the transition to IFRS from Canadian GAAP results in an additional expense of $56 in 2010, $5 in 2011 and a reduction of expense of ($23) in 2012.

IAS 12 – *Income Tax:*
The Company evaluated the impact of IAS 12 on its reported results and estimates changes to deferred taxes related to IAS 41 (see table below).

IAS 41 – *Agriculture*:
Management has identified a material difference between IFRS and Canadian GAAP relating to the measurement of a biological asset as inventory, including the rules surrounding the determination of "fair value". The Company believes that based on IAS 41 and the nature of its crop cycles, material adjustments in the fair value of inventory will occur that do not occur under Canadian GAAP. The Company will have a biological asset on the statement of financial position for the fair value of the produce on the vine at the end of each reporting period. The value of the biological asset will be adjusted quarterly based on volume on the vine and will affect the timing of income in the interim periods as well as the Company's annual results, but will have no impact on the Company's cash flows. The following table estimates the impact that the adoption of IAS 41 in 2011 will have on the 2010 comparative quarterly results:

		For the Period Ended				
(In thousands of US$-unaudited)	Initial recognition 1/1/10	1st quarter 3/31/10	2nd quarter 6/30/10	3rd quarter 9/30/10	4th quarter[1] 12/31/10	For the year ended[1] 12/31/10
Balance sheet:						
Biological asset	$7,340	$10,130	$5,862	$5,954	$7,340	$7,340
Inventory – re-classed to biological asset	($2,195)	($4,502)	($4,347)	($3,602)	($2,195)	($2,195)
Deferred tax liability - from biological asset	($1,800)	($1,724)	($424)	($710)	($1,800)	($1,800)
IFRS quarterly changes						
Change in asset	$5,145	$483	($4,113)	$836	$2,794	$-
Change on liabilities	(1,800)	76	1,300	(286)	(1,090)	-
Net change on equity	$3,345	$559	($2,813)	$550	$1,704	$-
Difference of GAAP to IFRS						
Effect on assets	$5,145	$5,628	$1,515	$2,352	$5,145	$5,145
Effect on liabilities	($1,800)	($1,724)	($424)	($710)	($1,800)	($1,800)
Net effect on equity	$3,345	$3,904	$1,091	$1,642	$3,345	$3,345
Statement of earnings:						
Change in valuation of biological asset	N/A	$483	($4,113)	$836	$2,794	$-
Income tax – from change in valuation of biological asset	N/A	76	1,300	(286)	(1,090)	-
Effect on net income	N/A	$559	($2,813)	$550	$1,704	$-
Effect on earnings per shares basis and diluted	N/A	$0.014	($0.072)	$0.014	$0.044	$-

[1] Note: These figures assume that pricing and expected volumes as at December 31, 2010 are similar to the pricing and volumes as at January 1, 2010. This is not a forecast. The presentation is for illustrative purposes only and should not be used as a forecast for the fourth quarter of 2010 or the full year 2010 results.

Summary of IFRS Transition Plan:

The Company is currently in the Evaluation and Design phase of its transition plan which addresses the impact of IFRS. The following is a summary of the Company's evaluation:

	Key Activities	Status
Accounting Policies	Identification of differences between GAAP and IFRS.	Completed.
	Quantification of impact of the differences identified.	Completed, see table for management's current estimates on impact above under "IAS 41".
	Completion of Company's IFRS 1 decisions and quantification of the impacts of those decisions.	Underway. Will be completed by end of Q4.
	Development of financial statement format and related disclosure.	Underway. Will be completed by end of Q4.
Internal Control	For all changes made to Company's accounting policies, review the design and effectiveness implications on ICFR.	Completed.
Disclosure, Controls and Procedures	For all changes made to Company's accounting policies, review the design and effectiveness implications on disclosure, controls and procedures.	Underway. Will be completed by end of Q4. Not anticipated to be significant.
Business Activities	Review potential impact of IFRS on financial covenants.	Initial review completed and no significant impact expected.
Financial Reporting Expertise	Development of internal IFRS expertise.	The Company has used and will continue to use outside training resources to develop the necessary expertise within the finance department and audit committee as needed. Training will continue throughout 2010 and 2011.
IT Infrastructure	Development of new systems or changes to existing systems required for the transition and post implementation timeframes.	A review of systems has determined that there is no foreseen impact on the current IT infrastructure.

Canadian Generally Accepted Accounting Principles

Business Combination, Consolidated Financial Statements and Non-Controlling Interest

For interim and annual financial statements relating to its fiscal year commencing on or after January 1, 2011, the Company will be required to adopt new CICA Section 1582 "Business Combinations", Section 1601

“Consolidated Financial Statements” and Section 1602 “Non-Controlling Interests”. Section 1582 replaces existing Section 1581 “Business Combinations”, and Sections 1601 and 1602 together replace Section 1600 “Consolidated Financial Statements.” The adoption of Sections 1582 and collectively, 1601 and 1602, provides the Canadian equivalent to IFRS 3 “Business Combinations” and IAS 27 “Consolidated and Separate Financial Statements” respectively. The impact of adopting these new standards is being assessed.

Related Party Transactions

As at September 30, 2010, included in other assets is a $416 promissory note from an employee of the Company in connection with a relocation agreement. The note is secured by real property.

Outstanding Share Data

The beneficial interests in the Company are currently divided into interests of three classes, described and designated as “Common Shares”, “Special Shares” and “Preferred Shares”, respectively. An unlimited number of Common Shares, Special Shares and Preferred Shares are issuable pursuant to VFF’s constating documents.

As of the date hereof, VFF has outstanding: (i) 19,433,394 Common Shares carrying the right to one vote at a meeting of voting shareholders of VFF; (ii) 19,273,951 Special Shares carrying the right to one vote at a meeting of voting shareholders of VFF; provided that in no event shall the votes attached to the Special Shares exceed 45% of the votes otherwise attached to the Common Shares and the Special Shares then outstanding; and (iii) nil (0) Preferred Shares.

As of the date hereof, VF U.S. Holdings Inc., which holds all of the Special Shares, has 192,739.51 Participating Preferred Shares outstanding which, if exchanged for Shares of VFF pursuant to certain exchange rights, would be exchangeable for 19,273,951 Common Shares of the Company.

For further details on the structure of the Company or the rights attached to each of the above-mentioned securities, please refer to the Company’s current Annual Information Form dated March 26, 2010 which is available electronically at www.sedar.com.

Forward-looking Statements

This MD&A contains certain “forward looking statements”. These statements, including those set out under “Outlook”, relate to future events or future performance and reflect the Company’s expectations regarding its growth, results of operations, performance, business prospects, opportunities or industry performance and trends, including the Company’s expectations for 2010 performance. These forward looking statements reflect the Company’s current internal projections, expectations or beliefs and are based on information currently available to the Company. 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 the Company believes 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, the Company assumes no obligation to update or revise them to reflect new events or circumstances.

Public Securities Filings

You may access other information about the Company, including its current Annual Information Form and other disclosure documents, reports, statements or other information that it files with the Canadian securities regulatory authorities, through SEDAR at www.sedar.com.