

Village Farms International, Inc.
Management's Discussion and Analysis
Three Months Ended March 31, 2011

May 20, 2011

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 financial statements and accompanying notes of Village Farms International, Inc. ("VFF" and, together with its subsidiaries, the "Company"), for the three months ended March 31, 2011. The information provided in this MD&A is current to May 20, 2011 unless otherwise noted.

VFF is a corporation existing under the *Canada Business Corporations Act* (the "CBCA"). The Company's principal operating subsidiaries at March 31, 2011 are Village Farms Canada Limited Partnership ("VFCLP") and Village Farms, L.P. ("VFLP").

The interim financial data included in this MD&A is in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board, unless otherwise noted. The effective date of the transition to IFRS was January 1, 2010. The transition to IFRS has been reflected by restating previously reported financial statements for 2010. This is the first time that the Company has prepared financial information under IFRS. Previously, the Company's financial statements were prepared under Canadian generally accepted accounting principles ("CGAAP"). The adoption of IFRS does not impact the underlying economics of the Company's operations or its cash flows. Note 5 to the interim consolidated financial statements contains a detailed description of the Company's adoption of IFRS, including a reconciliation of the consolidated financial statements previously prepared under CGAAP to those under IFRS.

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 and rock wool, 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 approximately (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 756,000 square metres approximately (189 acres) of growing area.

The following table outlines the Company's greenhouse facilities:

Greenhouse Facility	Growing Area		Products Grown
	Square Metres	Acres	
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, grape, cherry tomatoes and cucumbers at its facilities. The Company, from its supply partners, also distributes and purchases 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 three months ended March 31, 2011, the Company had an on-time delivery record of 98.1%, 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 supply partners produce) is sold directly to supermarket chains, including Associated Grocers, Associated Wholesale Grocers, BJ's Wholesale Club Inc., Costco Wholesale, Fred Meyer, 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., 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 amounts, unaudited)

	For the three months ended	
	March 31,	
	2011	2010
Revenue	\$32,341	\$31,102
Income from operations	6,210	7,734
Selling, general and administrative	3,508	2,985
Change in biological asset	2,978	483
Interest expense	728	714
Other income (expense)	515	(570)
Provision for income taxes	1,497	1,704
Net income	4,512	4,751
EBITDA ⁽¹⁾	4,852	8,854
Earnings per share/ basic and diluted	\$0.12	\$0.12

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

Results of Operations for the Three Months Ended March 31, 2011 Compared to the Three Months Ended March 31, 2010

Revenue

Revenue for the three month period ended March 31, 2011 increased \$1,239 or 4% to \$32,341 from \$31,102 for the three month period ended March 31, 2010. The increase in revenue is primarily due to a 60% increase in supply partner production and a 2% increase in the Company's production, offset by a reduction of 14% in the average sale price of tomatoes as compared to 2010.

The average selling price, for the three months ended March 31, 2011 versus the three months ended March 31, 2010; for tomatoes was a decrease of (14%), for peppers was a decrease of (3%) and for cucumbers was an increase of 28%. The tomato price decrease in the first quarter of 2011 was a result of a return of more normalized pricing in 2011 versus inflated pricing in 2010, due to a freeze on some of the Florida tomato crop in January 2010. For the three months ended March 31, 2011, total tomato pounds sold increased 13% over the comparable period in 2010; pepper pounds sold for the three months ended March 31, 2011 increased 55% over the comparable period in 2010 and cucumber pieces sold for three months ended March 31, 2011 decreased (30%) over the comparable period in 2010. The increase in tomato and peppers was mostly due to an increase in supply partner produce.

Income from Operations

Income from operations for the three months ended March 31, 2011 decreased (\$1,524) or (20%) to \$6,210 from \$7,734 for the three months ended March 31, 2010. The decrease is primarily due to net sales over cost of sales for the three month period ended March 31, 2011 decreasing (\$3,496) to \$6,740 from \$10,236 for the three month period ended March 31, 2010. The decrease was primarily due to a decrease in the average selling price of tomatoes, compounded by higher operating costs at one of our four Texas greenhouses due to a production issue and higher freight costs as compared to 2010.

Selling, General and Administrative Expenses

Selling, general and administrative expenses for the three month period ended March 31, 2011 increased \$523 or 18% to \$3,508 from \$2,985 for the three month period ended March 31, 2010. Overhead costs rose due to as increase personnel costs and some other timing issues.

Change in biological asset

The change in biological asset for the three month period ended March 31, 2011 increased \$2,495 to \$2,978 from \$483 for the three month period ended March 31, 2010; the increase is due a lower opening value at January 1, 2011 versus 2010. The fair value of the biological asset at March 31, 2011 is \$10,508 and \$10,130 at March 31, 2010.

Interest Expense

Interest expense, for the three month period ended March 31, 2011 increased \$14 to \$728 from \$714 for the three month period ended March 31, 2010. The increase is due to an increase of the Company's borrowing rate on its Canadian term loan offset by the continued reduction in debt levels in 2011 compared to 2010.

Other income

Other income (costs) for the quarter ended March 31, 2011, increased \$1,085 to income of \$515 from other costs of (\$570) for the quarter ended March 31, 2010. The increase was due to a gain on derivatives of \$282 in 2011, versus a loss of (\$317) on derivatives for the first quarter of 2010, as well as a gain of \$14 on sale of assets in 2011, as compared to a loss of (\$329) on the disposal of assets during the first quarter of 2010.

Net income

Net income for the three month period ended March 31, 2011 decreased (\$239) to \$4,512 from income of \$4,751 for the three month period ended March 31, 2010. The decrease was due to a higher gain from change in fair value of biological asset of \$2,978, a gain on derivative of \$282 for the period ended March 31, 2011 from a loss of \$317 in the period ended March 31, 2010 and a gain on sales of assets of \$14 for the period ended March 31, 2011 from a loss of \$329 in the period ended March 31, 2010 partially offset by a decrease in gross profit of \$3,496.

Income taxes

Income tax expense for the three month period ended March 31, 2011 was \$1,497 compared to \$1,704 for the three month period ended March 31, 2010, due to lower income from operations.

EBITDA

EBITDA for the three month period ended March 31, 2011 decreased \$4,002 to \$4,852 from \$8,854 for the three month period ended March 31, 2010, as a result of lower income from operations as a result of lower product sale pricing, higher cost of sales and overhead costs. See the EBITDA calculation in “Non-IFRS Measures - Reconciliation of Net Earnings to EBITDA.”

Selected balance sheet data

	<u>March 31, 2011</u>	<u>December 31, 2010</u>
Total assets	\$107,374	\$104,660
Total liabilities	(\$66,621)	(\$68,429)
Shareholders' equity	(\$40,753)	(\$36,231)

Non-IFRS 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, unrealized gains on the changes in the value of derivative instruments, stock compensation, costs on conversion and gains and losses on asset sales. EBITDA is a cash flow measure that is not recognized under International Financial Reporting Standards (“IFRS”) and does not have standardized meanings prescribed by IFRS. 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 IFRS 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 IFRS and does not have a standardized meaning prescribed by IFRS. 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 income or loss determined in accordance with IFRS 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-IFRS Measures”.

Reconciliation of Net Earnings to EBITDA

The following table is the calculation of net income to EBITDA:

<i>(in thousands, unaudited)</i>	For the three months ended	
	March 31,	
	2011	2010
Net income	\$4,512	\$4,751
Add:		
Amortization	1,453	1,424
Foreign currency exchange (gain) loss	(62)	87
Interest expense, net	716	709
Income taxes	1,497	1,704
Stock compensation	10	16
Derivatives	(282)	317
Change in biological asset	(2,978)	(483)
(Gain) loss on disposal of assets	(14)	329
EBITDA	\$4,852	\$8,854

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 March 31, 2011, cash flows from operating activities before changes in non-cash operating working capital and change in biological asset totalled \$7,074 (2010 - \$6,369).

Capital expenditures totalled \$388 for the three months ended March 31, 2011 (2010 - \$372).

The cash used in financing activities for the three months ended March 31, 2011 totalled (\$976) (2010 - (\$869)), and primarily consisted of debt payments of \$815 (2010 - \$818).

Capital Resources

(in thousands of US dollars unless otherwise noted)

	Maximum	Outstanding March 31, 2011
CA Operating Loan (i)	CA\$12,000	\$-
CA Capital Loan (ii)	\$40,678	\$40,678
CA FX Facility (iii)	-	-
US Operating Loan (iv)	\$5,000	-
US Capital Loan (v)	\$9,975	\$9,975

Canadian Credit Facilities

The Canadian credit facilities include:

- (i) Revolving variable rate operating loan of up to CA\$12,000 with a term of 364 days (the “CA Operating Loan”);
- (ii) Non-revolving variable rate capital loan with a balance of \$40,678 with a maturity date of October 31, 2013 (the “CA Capital Loan”); and
- (iii) Foreign exchange contracts facility for the purchase or sale of U.S. funds (the “CA 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.

During year ended December 31, 2010, the Company entered into a loan extension with its lender. The maturity date was extended from October 31, 2011 to October 31, 2013. The terms of the extension included an increase of the Company's borrowing rate depending on the Company's total debt to EBITDA ratio and the Company incurring a renewal fee of \$206.

The CA Operating Loan is subject to annual renewal by the bank. No amount was drawn on the CA Operating Loan as at March 31, 2011 and December 31, 2010. The outstanding balance of the CA Capital Loan is repayable by way of monthly installments of principal and interest based on an amortization of the CA 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, 2013.

Accrued interest payable on the Canadian credit facilities and loans as at March 31, 2011 was \$40 (December 31, 2010 - \$13) and these amounts are included in accrued liabilities. As at March 31, 2011, the interest rate was 2.895% (December 31, 2010 - 2.875%). The Company has entered into fixed for floating rate interest rate swaps with fixed rates ranging from 6.125% to 6.325% as fully described in note 12 of the Company's financial statements for the three months ended March 31, 2011. The interest expense for the three months ended March 31, 2011 was \$640 (March 31, 2010 - \$604).

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 three months ended March 31, 2011 and 2010, 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 March 31, 2011 was \$107,374 (December 31, 2010 - \$104,660).

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 with a balance of \$9,975 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 March 31, 2011, 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.

Accrued interest payable on the US credit facilities as at March 31, 2011 was \$30 (December 31, 2010 - \$30) and these amounts are included in accrued liabilities. As at March 31, 2011, the interest rate was 3.25% (March 31, 2010 - 3.50%). The interest expense for the three months ended March 31, 2011 was \$89 (March 31, 2010 - \$110). As at March 31, 2011, VFCLP was in compliance with all covenants. There were no borrowings outstanding under the US Operating Loan as at March 31, 2011 and December 31, 2010.

VFF and all of its 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 March 31, 2011 was \$107,374 (December 31, 2010 – \$104,660). 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 March 31, 2011 is set forth in the table below:

<i>(in thousands of US dollars - unaudited)</i>	Total	Less than 1 year	2-3 years	4-5 years	More than 5 years
Long-term debt	\$50,653	\$3,260	\$43,118	\$3,800	\$475
Capital leases	117	117	-	-	-
Operating leases	3,796	1,137	1,852	583	224
Total	\$54,566	\$4,514	\$44,970	\$4,383	\$699

Capital Expenditures

During the three month period ended March 31, 2011, the Company purchased approximately \$388 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 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 Company will be sufficient to support its capital expenditures.

During the three month period ended March 31, 2011, the Company incurred \$368 in costs to maintain its capital assets. Management estimates approximately \$1,650 of annual costs to maintain the capital assets.

Summary of Quarterly Results

For the three months ended:

<i>(in thousands, except per share amounts, unaudited)</i>	Mar 31, 2011	Dec 31, 2010	Sep 30, 2010	Jun 30, 2010	Mar 31, 2010	Dec 31, 2009	Sep 30, 2009	Jun 30, 2009
Revenue	\$32,341	\$31,703	\$35,487	\$46,476	\$31,102	\$33,597	\$32,711	\$42,773
Net earnings (loss)	\$4,512	\$1,006	(\$11)	(\$1,494)	\$4,751	9,179	(2,777)	(374)
Basic earnings (loss) per Share	\$0.12	\$0.03	(\$0.00)	(\$0.04)	\$0.12	\$0.24	(\$0.07)	(\$0.01)
Diluted earnings (loss) per Share	\$0.12	\$0.03	(\$0.00)	(\$0.04)	\$0.12	\$0.24	(\$0.07)	(\$0.01)

The Company'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 Company'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 Company's U.S. operations winter 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 Company's Canadian and U.S. operations is expected by management of the Company to contribute to more predictable and stable cash flows for the Company throughout the year.

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 market place.

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 trade receivables.

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

The Company's trade receivables have two customers who represent more than 10%, they together represent 27% of the balance of such receivables as at March 31, 2011. The Company believes that its trade receivables 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 represent approximately 75% 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 trade receivables). 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.

At March 31, 2011, 94.4% (December 31, 2010 – 88.6%) of trade receivables were outstanding less than 30 days, 5.1% (December 31, 2010 – 10.5%) were outstanding for between 30 and 90 days and the remaining 0.5% (December 31, 2010 – 0.9%) were outstanding for more than 90 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.

Given the current economic environment, trade receivables 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 based on revenue. At March 31, 2011, the allowance for doubtful accounts balance was \$254 (December 31, 2010 - \$254). In addition, the Company recorded a bad debt expense of \$nil during the three months ended March 31, 2011 (March 31, 2010 – \$nil).

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 to reduce market exposures from changes in interest rates. The Company uses 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 obligations as they fall due. The following are the contractual maturities of financial liabilities as at March 31, 2011:

<i>(in thousands of US dollars – unaudited)</i>	Contractual	0 to 12	12 to 24	After 24
Financial liabilities	cash flows	months	months	months
Accounts payable and accrued liabilities	\$8,502	\$8,502	\$-	\$-
Bank debt	50,653	3,260	3,260	44,133
Obligation under capital lease	117	117	-	-
	<u>\$59,272</u>	<u>\$11,879</u>	<u>\$3,260</u>	<u>\$44,133</u>

It is the Company's intention to meet these obligations through the collection of current accounts receivable and cash. The Company has available lines of credit of US\$5,000 and C\$12,000 (as at March 31, 2011, \$nil was outstanding on the Canadian line of credit, \$nil on the U.S. line of credit and letters of credit, of \$945 and C\$124 on the US Operating Loan and the Canadian Line of Credit, 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. The Company has two fixed for floating interest rate swap agreements, effective from January 25, 2008 through January 25, 2013, in the notional amount of \$39,700 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 6.319%. During the three month period March 31, 2011, the Company recognized a gain of \$282 (March 31, 2010 - a loss of \$317). This represents 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 March 31, 2011 was a liability of \$2,058 (December 31, 2010 – \$2,340). The interest rate swap agreements that remained outstanding at March 31, 2011 were as follows:

<u>Term</u>	<u>Notional Amount</u>	<u>Interest Rate</u>
January 25, 2008 - January 28, 2012	\$1,200	6.125%
January 25, 2008 - January 28, 2013	\$38,500	6.325%

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, 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. Net income on these products should be in line with the 2010 full year results. Management is focused on a stronger emphasis on retailer contracts and improvements in the Company's channel mix to improve gross margin.

Management does not believe current credit markets will have a material adverse effect on the Company's current operations. The Company is actively seeking financing for additional greenhouse facilities in the United States; the current credit market may, however, prevent or limit the Company's ability to raise the necessary financing. Management's assessment is based on current conditions and may be subject to change if the credit environment deteriorates, before a final financing arrangement can be put in place.

Growth expenditures

The Company is currently seeking financing for greenhouse facilities in the United States. The greenhouses will employ the closed greenhouse system GATES™ that the Company has been testing for the last four years in its GATES™ research greenhouse.

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 the remainder of 2011, 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 restrictions will affect the Company's growth objective.

Internal Control over Financial Reporting

Disclosure Controls and Procedures

National Instrument 52-109, ("NF52-109") - *Certification of Disclosure in Issuers' Annual and Interim Filings*, issued by the Canadian Securities Administrators (the "CSA") requires Chief Executive Officers ("CEO") and Chief Financial Officers ("CFO") to certify, among other things, that they are responsible for establishing and maintaining disclosure controls and procedures for the issuer, that disclosure controls and procedures have been designed to provide reasonable assurance that material information relating to the issuer is made known to them, that they have evaluated the effectiveness of the issuer's disclosure controls and procedures, and that their conclusions about the

effectiveness of those disclosure controls and procedures at the end of the period covered by the relevant annual filings have been disclosed by the issuer.

As at March 31, 2011, the Company's management evaluated the effectiveness of the Company's disclosure controls and procedures, as defined under rules adopted by the CSA. This evaluation was performed under the supervision of, and with the participation of, the Company's CEO and CFO.

The Company's management, including the CEO and CFO, does not expect that the Company's disclosure controls and procedures will prevent or detect all errors and all fraud. The inherent limitations in all control systems are such that they can provide only reasonable, not absolute, assurance that all control issues and instances of fraud or error, if any, within the Company have been detected.

Based on this evaluation, the CEO and CFO of the Company have concluded that, subject to the inherent limitations noted above, the Company's disclosure controls and procedures are effective in providing reasonable assurance that the objectives of the Company's disclosure control system have been met.

Internal Control over Financial Reporting

NI 52-109 also requires CEOs and CFOs to certify, among other things, that they are responsible for establishing and maintaining internal controls over financial reporting for the issuer, that those internal controls have been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with Canadian generally accepted accounting principles, and that the issuer has disclosed any changes to its internal controls during its most recent period that has materially affected, or is reasonably likely to materially affect, its internal control over financial reporting.

As at March 31, 2011, the Company's management evaluated the effectiveness of the Company's internal control over financial reporting, as defined under rules adopted by the CSA. This evaluation was performed under the supervision of, and with participation of, the Company's CEO and CFO.

The Company's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

Internal control over financial reporting, no matter how well designed has inherent limitations. Therefore, internal control over financial reporting can provide only reasonable, not absolute, assurance with respect to financial statement preparation and may not prevent or detect all misstatements.

Based on this evaluation, the Company's CEO and CFO have concluded that, subject to the inherent limitations noted above, the Company's internal control over financial reporting is effective in providing reasonable not absolute assurances regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

There were no changes in the Company's internal control over financial reporting during the three months ended March 31, 2011 that materially affected, or are reasonably likely to materially affect, the Company's internal control 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 filed on SEDAR, which can be accessed 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 by or on Behalf of the Village Farms Owners

Risks Related to Tax

- Potential U.S. Permanent Establishment of VF Canada GP, VFCLP and VFF
- Advances by VF Operations Canada Inc. to U.S. Holdings
- 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 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.

Biological Assets

Biological assets consist of the Companies' produce on the vines at the period end. The produce on the vine is measured at fair value less costs to sell, with any change therein recognized in profit or loss. Costs to sell include all costs that would be necessary to sell the assets, including finishing and transportation costs.

Income Taxes

The Company utilizes the assets 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 significantly vary 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 outlooks for future years in assessing realization of income tax assets.

Impairment of Financial and Non-Financial Assets

Financial and Non-Financial assets are tested at each reporting date for impairment and 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.

The Company performed the asset recoverability tests using discounted 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 non-financial assets in three months ended March 31, 2011. 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 – Useful Lives

Management estimates the useful lives of property, plant and equipment based on the period during which the assets are expected to be available for use. The amounts and timing of recorded expenses for depreciation of property, plant and equipment for any period are affected by these estimated useful lives. The estimates are reviewed at least annually and are updated if expectations change as a result of physical wear and tear, technical or commercial obsolescence and legal or other limits to use. It is possible that changes in these factors may cause significant changes in the estimated useful lives of the Company's property, plant and equipment in the future.

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 IFRS at each reporting period 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 March 31, 2011.

Changes in Accounting Policies

Future Accounting Changes

International Financial Reporting Standard 9, Financial Instruments ("IFRS 9")

IFRS 9 was issued in November 2009 and contained requirements for financial assets. This standard addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit or loss. IFRS 9 also replaces the models for measuring equity instruments, and such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income. Where such equity instruments are measured at fair value through other comprehensive income, dividends are recognized in profit or loss to the extent not clearly representing a return of investment, are recognized in profit or loss; however, other gains and losses (including impairments) associated with such instruments remain in accumulated comprehensive income indefinitely.

Requirements for financial liabilities were added in October 2010 and they largely carried forward existing requirements in IAS 39, *Financial Instruments – Recognition and Measurement*, except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss would generally be recorded in other comprehensive income.

This standard is required to be applied for accounting periods beginning on or after January 1, 2013, with earlier adoption permitted. The Company has not yet assessed the impact of the standard or determined whether it will adopt the standard early.

Transition to IFRS

In 2010, the CICA Handbook was revised to incorporate International Financial Reporting Standards ("IFRS"), and require publicly accountable enterprises to apply such standards effective for years beginning on or after January 1, 2011. Accordingly, the Company has commenced reporting on this basis. The effect of the Company's transition to IFRS is summarized as follows:

(i) Transition Elections

The Company has applied the following transition exceptions and exemptions to full retrospective application of IFRS:

Deemed cost of property, plant and equipment

In accordance with IFRS transition provisions, the company elected to hold property, plant and equipment at its historical value and not elect to restate to current fair market value.

(ii) Reconciliation of the statements of financial position, income and comprehensive income as previously reported under Canadian GAAP to IFRS.

Note	December 31, 2010			March 31, 2010			January 1, 2010				
	Canadian		IFRS	Canadian		IFRS	Canadian		IFRS		
	GAAP	Adj		GAAP	Adj		GAAP	Adj			
Assets											
Current assets:											
			\$9,734		\$9,734	\$4,756		\$4,756	\$2,611	\$2,611	
			8,131		8,131	10,053		10,053	9,594	9,594	
			510		510	850		850	592	592	
	a		12,810	(2,096)	10,714	15,779	(4,502)	11,277	11,948	(2,195)	9,753
			407		407	-		-	-	-	-
			775		775	-		-	-	-	-
			801		801	584		584	909		909
	a		-	5,223	5,223	-	10,130	10,130	-	7,340	7,340
			<u>33,168</u>	<u>3,127</u>	<u>36,295</u>	<u>32,022</u>	<u>5,628</u>	<u>37,650</u>	<u>25,654</u>	<u>5,145</u>	<u>30,799</u>
Non-current assets:											
			62,972		62,972	65,243		65,243	66,599		66,599
	b		2,967		2,967	4,722	(981)	3,741	4,549		4,549
			1,301		1,301	1,378		1,378	1,404		1,404
			1,125		1,125	933		933	877		877
			<u>\$101,533</u>	<u>\$3,127</u>	<u>\$104,660</u>	<u>\$104,298</u>	<u>\$4,647</u>	<u>\$108,945</u>	<u>\$99,083</u>	<u>\$5,145</u>	<u>\$104,228</u>
Liabilities											
Current liabilities:											
			\$9,774	(\$24)	\$9,750	\$11,429	(\$8)	\$11,421	\$9,564	(\$15)	\$9,549
	b		-	24	24	-	8	8	-	15	15
			3,260		3,260	3,260		3,260	3,260		3,260
			264		264	300		300	283		283
			<u>13,298</u>	<u>-</u>	<u>13,298</u>	<u>14,989</u>	<u>-</u>	<u>14,989</u>	<u>13,107</u>	<u>-</u>	<u>13,107</u>
Non-current liabilities											
			48,208		48,208	50,654		50,654	51,472		51,472
			2,340		2,340	2,409		2,409	2,092		2,092
			14		14	194		194	262		262
	b		3,474	1,095	4,569	3,283	744	4,027	3,589	1,801	5,390
			<u>67,334</u>	<u>1,095</u>	<u>68,429</u>	<u>71,529</u>	<u>744</u>	<u>72,273</u>	<u>70,522</u>	<u>1,801</u>	<u>72,323</u>
Shareholders' equity:											
			24,850		24,850	24,850		24,850	24,850		24,850
	c		40	35	75	9	7	16	-	-	-
	d		9,254	1,996	11,251	7,855	3,896	11,751	3,656	3,344	7,000
			55		55	55		55	55		55
			<u>34,199</u>	<u>2,032</u>	<u>36,231</u>	<u>32,769</u>	<u>3,903</u>	<u>36,672</u>	<u>28,561</u>	<u>3,344</u>	<u>31,905</u>
			<u>\$101,533</u>	<u>\$3,127</u>	<u>\$104,660</u>	<u>\$104,298</u>	<u>\$4,647</u>	<u>\$108,945</u>	<u>\$99,083</u>	<u>\$5,145</u>	<u>\$104,228</u>

	Note	December 31, 2010			Three months ended March 31, 2010		
		Canadian		IFRS	Canadian		IFRS
		GAAP	Adj		GAAP	Adj	
Net sales		\$144,768		\$144,768	\$31,102		\$31,102
Cost of sales		(123,632)		(123,632)	(20,866)		(20,866)
Change in biological asset gain (loss)	a	-	(2,018)	(2,018)	-	483	483
Selling, general and administrative expenses	c	(13,164)	(35)	(13,199)	(2,978)	(7)	(2,985)
Income from operations		7,972	(2,053)	5,919	7,258	476	7,734
Interest expense, net		2,775		2,775	709		709
Foreign exchange loss		57		57	87		87
Amortization of intangible assets		103		103	26		26
Loss on derivatives		247		247	317		317
Other (income) expense		(1,432)		(1,432)	(189)		(189)
Loss (gain) on disposal of asset		339		339	329		329
Earnings before income taxes		5,883	(2,053)	3,830	5,979	476	6,455
Provision (recovery) of income taxes	b	285	(706)	(421)	1,780	(76)	1,704
Net earnings and comprehensive earnings		5,598	(1,347)	4,251	4,199	552	4,751
Earnings per share/unit - basic		\$ 0.14	\$ (0.03)	\$ 0.11	\$ 0.11	\$ 0.01	\$ 0.12
Number of shares/units outstanding - basic		38,707,345	-	38,707,345	38,707,345	-	38,707,345
Earnings per share/unit - diluted		\$ 0.14	\$ (0.03)	\$ 0.11	\$ 0.11	\$ 0.01	\$ 0.12
Number of shares/units outstanding - diluted		39,042,960	-	39,042,960	39,057,344	-	39,057,344

Explanatory Notes

(a) *Biological Asset and Produce Inventory*

In applying IAS 41 *Agriculture* the Company recognizes a biological asset arising from the produce on the vines as of the reporting date. These vines are measured as the fair value of the produce on the vine less costs to sell and finishing costs.

(b) *Future income taxes*

The Company evaluated the impact of IAS 12 *Income Tax* on its reported results and took into consideration the change in future income taxes caused by the reporting of both the additional share issuance costs and the biological assets. The changes in the statement of financial position, income statement and equity reflect the application of IAS 12 and IAS 41.

(c) *Share based compensation and contributed surplus*

In applying IFRS 2 *Share Based Payments* to the transition period a restatement of stock compensation expense was required of approximately \$35 for the year ended December 31, 2010 and \$7 for the three months ended March 31, 2010. This amount is recorded in both retained earnings and contributed surplus.

(d) *Retained earnings Reconciliation*

The following is a summary of the transition adjustments to the Company's retained earnings from GAAP to IFRS.

	Note	Dec 31, 2010	Mar 31, 2010	Jan 1, 2010
Retained earnings as reported under Canadian GAAP		\$ 9,254	\$ 7,855	\$ 3,656
IFRS adjustments increase (decrease):				
Change in biological asset	a	5,223	10,130	7,340
Change in inventories	a	(2,096)	(4,502)	(2,195)
Provision for income tax expense (recovery)	b	(1,095)	(1,725)	(1,801)
Share based compensation	c	(35)	(7)	-
Retained earnings as reported under IFRS		\$ 11,251	\$ 11,751	\$ 7,000

(iii) **Adjustments to the statement of cash flows**

The transition from Canadian GAAP to IFRS had no significant impact on cash flows generated by the Company.

(iv) **Additional IFRS information for the year ended December 31, 2010**

The following additional information is provided in accordance with IAS 1 to provide supplementary detail for the expenses of the Company by Nature.

Compensation of key management

	December 31, 2010
Salaries and short-term employee benefits	\$1,761
Annual incentive plan	315
All other compensation	40
	<u>\$2,116</u>

Expenses by nature

The following table outlines the Company's significant expenditures by nature.

Cost of sales

	December 31, 2010
Purchased produce	\$32,588
Raw materials and consumables used	39,375
Depreciation and amortization	5,119
Transportation	17,431
Employee benefits	29,119
	<u>\$123,632</u>

Selling, general and administrative expenses

	December 31, 2010
Employee benefits	\$7,942
Marketing	437
Professional services	1,232
Office expenses	2,219
Other	1,369
	<u>\$13,199</u>

Employee benefits

	December 31, 2010
Salaries and short-term employee benefits	\$36,986
Stock based compensation	75
	<u>\$37,061</u>

Related Party Transactions

At March 31, 2011, included in other assets is a \$392 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 25, 2011 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 2011 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.