Alliance
GRAIN TRADERS
Income Fund

Q1

Management's Discussion and Analysis

March 31, 2008

ALLIANCE GRAIN TRADERS INCOME FUND
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE THREE MONTHS ENDED MARCH 31, 2008

Alliance Grain Traders Income Fund (formerly Agtech Income Fund) (the "**Fund**") is a limited purpose open-ended trust established on June 25, 2004. The Fund was created for the purpose of acquiring all of the voting securities of Agtech Processors Inc. ("**Agtech**"), which transaction was completed on March 22, 2005. The Fund subsequently acquired Saskcan Pulse Trading Inc. ("**Saskcan**") on August 1, 2007 and amalgamated it with Agtech to form Alliance Pulse Processors Inc. ("**Alliance**"). The Fund, through its operating company Alliance is engaged in the business of sourcing and processing (cleaning, splitting, sorting and bagging) specialty crops, primarily for export markets. The Fund's companies in Canada, US and Australia handle the full range of pulses and specialty crops including lentils, peas, chickpeas, beans and canary seed. The units of the Fund are listed for trading on Tier 2 of the TSX Venture Exchange under the symbol "AGT.UN".

The Fund owns six plants in Canada, the US and Australia and operating divisions include Saskcan Pulse Trading, with two plants in Saskatchewan, and Saskcan Agtech, with one plant in Regina, Saskatchewan. Wholly owned foreign subsidiaries include United Pulse Trading Inc. ("**United Pulse**") in North Dakota, USA and Australia Milling Group Pty Ltd. ("**Australia Milling Group**") in Victoria State, Australia, each with one plant. Alliance also owns 55% of Saskcan Horizon Trading Inc., which owns a processing plant in Aberdeen, Saskatchewan. The balance of Saskcan Horizon Trading Inc. is owned by six individual investors. The Fund's operations currently focus on value added splitting of lentils and peas. It is among the world's largest splitters of pulses.

The following discussion and analysis should be read in conjunction with the Company's unaudited interim consolidated financial statements and related notes thereto for the three month period ended March 31, 2008, which have been prepared in Canadian dollars and in accordance with Canadian generally accepted accounting principles for interim financial statements. The reader should also refer to the audited consolidated financial statements and Management's Discussion and Analysis for the year ended December 31, 2007. This Management's Discussion and Analysis has been prepared as of May 24, 2008. All dollar amounts are in Canadian dollars unless otherwise indicated.

Additional information relating to the Fund and Alliance is available on the System for Electronic Data Analysis and Retrieval (SEDAR) at www.sedar.com, under the filings for Alliance Grain Traders Income Fund.

Overview

With record pea and lentil exports from Canada surging commodity prices have resulted in significant changes to the farmgate returns of growers of pulses and specialty crops, making the crops that the Fund processes profitable crops for farmers to grow. This bodes well for 2008 seeding intentions, where crop estimates released by a variety of analysts peg the pea and lentil acreage in Canada to rise by 10%. US production is also expected to remain stable with the price of nitrogen fertilizer driving crop rotations into peas and lentils and other crops that replenish nitrogen and do not require the addition of nitrogen fertilizers.

The Australian crop in 2007 was affected by drought, limiting supplies. In 2008, supplies are forecast to rise by 200% with a return to average precipitation. The Fund is projected to have sufficient access to raw material in the upcoming season.

All of the Funds's supply of raw materials comes from suppliers in Saskatchewan, Alberta, Manitoba, Montana, North Dakota and Australia where crops are harvested once a year. While sales and purchases and sales are fairly evenly spread out during the Fund's fiscal year, they do tend to be slightly higher in the last half of the fiscal year (July 1 to December 31). With geographic diversity of markets achieved through the Saskcan acquisition (the Fund's operating companies export to over 75 countries actively), seasonality is not a major consideration.

With the advancement of Ramadan by 2 weeks every year, purchasing demand in the Islamic world has shifted from September/October to the summer months as purchasers arrange for shipments to be received before the fasting month begins. This shift in exports should translate into consistent sales throughout the Fund's fiscal year. This effect is further complemented by the opposite seasonal demand of the South American markets (peak winter demand is February to July) and the Mediterranean/ Indian sub-continent/Middle East (July to January).

Seasonality in early 2008 is affected only by available crop supplies. Supplies are tight, but it is anticipated that because the Fund is geographically and product diverse, supply will not dramatically affect seasonality of its results.

Summary of Quarterly Results

The following table presents selected financial information for the Fund excerpted from the financial statements mentioned above.

As an income trust, the Fund derives its revenues solely from the business carried on by Alliance and its subsidiaries. The results of operations for the period ended March 31, 2008 presented in this discussion and analysis reflect the results of operations of: (i) Alliance Pulse Processors Inc. which includes the Agtech and Saskcan divisions, (ii) United Pulse, (iii) Saskcan Horizon, adjusted for Alliance's 55% interest therein, and (iv) Australia Milling Group.

(in thousands of Cdn. $ except as indicated)	3 Months Ended March 31, 2008 (unaudited)	3 Months Ended December 31, 2007 (unaudited) (1)	3 Months Ended September 30, 2007 (unaudited)	3 Months Ended June 30, 2007 (unaudited)	3 Months Ended March 31, 2007 (unaudited)	3 Months Ended December 31, 2006 (unaudited) (2)	3 Months Ended September 30, 2006 (unaudited)	3 Months Ended June 30, 2006 (unaudited)
Sales	47,618	42,744	29,689	3,091	3,613	4,310	2,783	2,082
Cost of sales	40,751	35,716	25,079	2,314	2,987	3,293	2,066	1,524
Gross margin	6,867	7,028	4,610	777	626	1,018	716	558
Other Income	-	-	-	-	-	8	-	-
Selling, general and administration expenses(3)	3,322	3,646	2,332	379	373	1,003	332	283
EBITDA(4)	3,545	3,382	2,278	398	253	23	384	275
Interest	320	108	407	27	19	30	12	15
Depreciation and amortization	419	365	266	37	37	37	36	36
Provision for income taxes	645	686	275	-	-	133	-	-
NET INCOME	**2,161**	**2,223**	**1,330**	**334**	**197**	**(177)**	**336**	**223**
Total assets	84,292	74,071	61,154	13,258	13,226	13,113	12,455	11,752
Bank indebtedness (short-term debt)	20,960	6,541	13,724	1,818	1,745	1,512	1,604	989
Long-term debt	8,065	6,892	-	-	-	-	-	-
Unitholders' equity	35,358	33,978	32,281	6,668	6,592	6,481	6,978	5,457
Cash distributions declared per unit	0.13898	0.135	0.125	0.125	0.125	0.125	0.122(5)	$0.119(6)

Notes:

(1) Calculated from the audited annual financial statements of the Fund for the year ended December 31, 2007, and the unaudited financial statements of the Fund for the period ended September 30, 2007.

(2) Calculated from the audited annual financial statements of the Fund for the year ended December 31, 2006, the unaudited financial statements of the Fund for the period ended September 30, 2006.

(3) Excluding interest and amortization, but including the performance bonus payable to non-management employees for the 2007 fiscal year. Non-controlling interest is also included in this number.

(4) EBITDA (Earnings Before Interest, Income Taxes, Depreciation and Amortization) is a financial measure used by many investors to compare companies on the basis of operating results, asset value and the ability to incur and service debt. EBITDA is used because the Fund's net income alone does not give an accurate picture of the Fund's cash-generating potential. Management believes that EBITDA is an important measure in evaluating the performance of the Fund and in determining whether to invest in the Fund. However EBITDA is not a recognized earnings measure under GAAP and does not have a standardized meaning prescribed by GAAP. It is not intended to represent cash flow or results of operations in accordance with GAAP. Therefore, EBITDA may not be comparable to similar measures presented by other issuers. Investors are cautioned that EBITDA should not be construed as an alternative to net income or loss determined in accordance with GAAP as an indicator of the Fund's performance or to cash flows from operating, investing and financing activities of liquidity and cash flows.

(5) On July 14, 2006, 266,666 of the Exchangeable Shares of Agtech were exchanged for 266,666 Units at a price of $5.05 per Unit. The Units were paid for by the issuance by Agtech to the Fund of a promissory note having a principal amount of $1,346,663, bearing interest at 10% per annum, calculated and payable quarterly, and maturing on March 22, 2020, subject to an extension for ten additional years in certain circumstances. Because

the new promissory note was issued after the beginning of the quarter, less than a full quarter's interest had accrued on it by the time the distribution for the third quarter of 2006 was accrued. As a result, the distribution per unit made in respect of the quarter ended September 30, 2006, was slightly lower than usual.

(6) On May 11, 2006, 66,666 of the Exchangeable Shares of Agtech were exchanged for 66,666 Units at a price of $5.10 per Unit. The Units were paid for by the issuance by Agtech to the Fund of a promissory note having a principal amount of $339,996, bearing interest at 9.5% per annum, calculated and payable quarterly, and maturing on March 22, 2020, subject to an extension for ten additional years in certain circumstances. Because the new promissory note was issued in the middle of the quarter, less than a full quarter's interest had accrued on it by the time the distribution for the second quarter of 2006 was accrued. As a result, the distribution per unit made in respect of the quarter ended June 30, 2006, was slightly lower than usual.

Discussion of Quarterly Results

Alliance's sales performance during the quarter ending March 31, 2008 exceeded management expectations. Management attributes this success to its strategy of diversifying markets for the Fund's products, with significant market development in Latin America, the Middle East, North Africa and the Indian Subcontinent. Coupled with market diversification is a continued push on product mix diversification and origin diversification through the acquisition of the US and Australian operations to complement the Canadian activities of Alliance. The sales growth is due to deeper penetration into export markets and the Fund's success in delivering a higher quality product to its customers than that supplied by its competitors, allowing continued strong sales in the first quarter.

The Fund's sales were $47,618,188 for the three months ended March 31, 2008, compared to sales of $42,744,000 for the three months ended December 31, 2007 and sales of $3,612,740 for the quarter ended March 31, 2007. This increase from the same period in 2007 is due to the acquisition of Saskcan. The variance from the quarter ending December 31, 2007 is immaterial considering that the fourth quarter of a year is typically a higher revenue period. Normally, sales in the fourth quarter are higher than in the first quarter, however the 2008 first quarter sales exceeded the 2007 fourth quarter sales due to increasing world food prices.

When comparing first quarter 2008 results to fourth quarter 2007 results, EBITDA increased 4.8%.

Distributions and Distributable Cash

The Fund paid a distribution of $623,759.61 ($0.13898 per Unit) in the aggregate to its Unitholders of record as of March 31, 2008. The distribution represented the Fund's quarterly interest payment to the Fund for the quarter ended March 31, 2008 under the consolidated Alliance note.

The next distribution will be made within seven business days of the end of the Fund's second quarter of 2008 (June 30, 2008). The distribution is expected to be $0.135 per Unit.

The Fund will make distributions of cash quarterly, within seven business days of the last business day of each quarter, as prescribed by resolution of the Fund's Board of Trustees. The Fund's distributable cash ("**Distributable Cash**") will consist of all cash received by the Fund in each calendar quarter, less: (i) amounts which have become payable in cash by the Fund relating to the redemption of Units; and (ii) any amount which the Trustees may reasonably consider to be necessary to provide for the payment of any obligations which have been or may be incurred or for making investments in the course of the activities and operations of the Fund and to provide for the payments of any income tax liability of the Fund. Please note that "Distributable Cash" is not a recognized earnings measures under GAAP and does not have a standardized meaning prescribed by GAAP. It is not intended to represent cash flow or results of operations in accordance with GAAP. Therefore, Distributable Cash may not be comparable to similar measures presented by other issuers.

Generally, the Fund's Distributable Cash will consist of the quarterly interest payments made by its operating subsidiary Alliance under the consolidated Alliance Note. Alliance will pay to the Fund interest on the consolidated Alliance Note quarterly, generally within two business days of the end of each quarter.

In addition, Alliance may pay dividends or make other distributions of its available cash to the Fund after determining what cash remains available at fiscal year end. Alliance will apply its EBITDA (see note 4 on page 3 above) first to pay all of its obligations and operating expenses, including management incentive bonuses and payment of interest to the Fund under the Alliance Note, and, after setting aside such reasonable reserve for working capital and/or sustaining capital expenditures as it may determine, Alliance will distribute cash entitlements to the holders of its Exchangeable Shares on a basis matching the cash distributions made to unitholders of the Fund. Since Alliance has December 31 as its fiscal year end, just like the Fund's fiscal year, this additional distribution, if any, is expected to be made at the same time as the distribution for the Fund's first quarter in each year.

To date, Alliance and its predecessors have chosen to keep the remaining cash in the company to fund operations and provide a cushion against contingencies, and Alliance intends to continue with this policy for the time being.

Liquidity and Capital Resources

As the historical information presented above shows, Alliance has not had difficulty in generating from its operations sufficient cash to maintain its operations, fund development, and, to pay its obligations under the Alliance Notes. As explained in note 4 to the selected quarterly historical financial information presented above, Alliance's EBITDA and net income are an accurate measure of its cash-generating ability.

Alliance's ability to generate sufficient cash in the future will depend on future harvests of and demand for pulses and special crops. Please see "Outlook" below for a discussion of these factors.

Alliance's working capital requirements are being met from its revenues. Alliance's working capital requirements fluctuate from year to year as the supply of pulses and special crops fluctuates, since payments to suppliers form the largest item of the working capital requirements. Alliance's working capital requirements are met from its revenues as its financial statements show, with the credit facility from the Scotiabank, providing bridge financing until payment for shipments is received.

Changes in Accounting Policies

The Canadian Institute of Chartered Accountants ("**CICA**") issued new accounting standards which became effective for the Fund on January 1, 2008. These changes include:

Section 1535 Capital Disclosures now requires disclosure of qualitative and quantitative information to enable financial statement users to evaluate the objectives, policies and processes used by the Fund to manage capital.

Section 3862 Financial Instruments – Disclosures now requires additional disclosures about the significance of financial instruments for the Fund's financial position and performance. Also, the Fund will be required to disclose the nature and extent of risks arising from financial instruments, to which the Fund is exposed, and how those risks are managed.

Section 3863 Financial Instruments – Presentation now requires disclosure of certain aspects of financial instruments, such as classification and circumstances where financial instruments may be offset.

The CICA has also approved a plan to transition Canadian generally accepted accounting standards to the International Financial Reporting Standards by 201. The impact of this transition on the Fund's financial statements is not yet determinable.

Recent Events

On May 1, 2008, 333,336 of the Exchangeable Shares of Alliance were exchanged for 333,336 units of the Fund at a price of $10.619 per unit. The units were paid for by the issuance by Alliance to the Fund of a promissory notes having a principal amount of $3,539,695, bearing interest at 10.5% per annum, calculated and payable quarterly, and maturing on March 22, 2020, subject to an extension for ten additional years in certain circumstances. This note has been consolidated with the other promissory notes issued by Alliance or its predecessors to the Fund (together, the "**Alliance Notes**").

On February 14, 2008 the Fund arranged a $25 million credit facility with Scotiabank. The facility is secured by a general security interest over all present and after-acquired property of the Fund.

In December 2007 the Fund reported that there was a fire at its North Dakota processing plant. Reconstruction efforts were completed in February 2008 and the Fund has received full coverage confirmation for its replacement of its assets and lost profits due to business interruption from its insurer.

Outstanding Unit Data

As of the date hereof, there are issued and outstanding 4,846,411 Units and rights to acquire up to an additional 3,085,890 Units of the Fund. These rights consist of: (i) 1,533,334 Exchangeable Shares of Alliance, which may be increased to 2,366,670 if certain performance targets are achieved; (ii) options to acquire 75,223 units of the Fund, each exercisable for one unit of the Fund at a price of $5.40 per unit until August 2, 2009, which were issued to various investment companies in connection with the private placement described under "Acquisitions during the year" above and (iii) options to acquire 605,000 units of the Fund, each exercisable for one unit of the Fund at a price of $9.00 per unit until April 21, 2013, which were granted to the trustees and officers of the Fund and key employees of Alliance and its subsidiaries, and vest in equal annual increments over a three year period, beginning April 21, 2011.

The Exchangeable Shares of Alliance are non-voting and may be exchanged for units of the Fund on a one-for-one basis, provided that only one-third of the Exchangeable Shares may be exchanged in any given year and then only in years in which Alliance's EBITDAM is at least $1,000,000. However, if a take-over bid is made for Units of the Fund, then the holders of the Exchangeable Shares may exchange a percentage of their Exchangeable Shares corresponding to the percentage of the Units being sought by the offeror of the bid; and provided further that if the Fund is to be wound up, all of the Exchangeable Shares may be exchanged for Units immediately. All of the Exchangeable Shares are held by the former shareholders of Agtech and Saskcan. The Fund's Declaration of Trust provides that each holder of Exchangeable Shares is entitled to one vote at meetings of unitholders of the Fund for each Exchangeable Share held by him.

Risks and Uncertainties

The Fund's only assets are 100% of the issued and outstanding voting shares of Alliance and the promissory notes issued by Alliance. The Fund's ability to make distributions of cash to its Unitholders depends entirely on the success of Alliance's business. Alliance is a buyer, processor and exporter of a full range of pulses and special crops, and is exposed to a number of risks and uncertainties that are common to other companies in the same business. These risks have been discussed in detail in the prospectus of the Fund dated December 30, 2004 (although in that prospectus only the acquisition of Agtech was contemplated, the same concerns apply to Alliance and its subsidiaries). The following is a summary of the risks specific to Alliance's business and its industry.

Weather conditions, which can vary substantially from year to year, have a significant impact on the size and quality of the pulses and special crops harvests. Significant increases or decreases in the total harvest may impact Alliance on the amount it sells and the gross profits realized on sales of its product and, consequently, on the results of its operations.

The pulses and special crops processing industry is a margin-based business in which gross profits depend on the excess of sales prices over costs. Consequently, profitability is sensitive to fluctuations in wholesale prices of raw material caused by changes in supply, taxes, price controls and/or other market conditions, all of which are factors beyond the Fund's control.

A portion of Alliance's purchases are made through production contracts, which fix a price at which Alliance may purchase crops from a producer. This production contract system assists the fund in mitigating price and supply risk on forward sales.

Alliance's revenues are dependent on the continued operation of its facilities. The operation of facilities involves certain risks, including the failure or substandard performance of equipment, natural disasters, labour problems, spoilage, as well as other hazards incidental to the production, use, handling, processing, storage and transportation of pulses and special crops. Also, as an industrial operation, Alliance is exposed to workplace health and safety and workers' compensation claims.

Alliances operations are dependent on the abilities, experience and efforts of its senior management team, an experienced team of grain industry specialists assembled within Alliance and its subsidiaries.

Alliance hedges against currency fluctuation risk for all of its sales by entering into forward exchange contracts.

Virtually all of Alliance's production is exported outside Canada to all geographic regions of the world. Alliance minimizes the risks involved with the export of goods to foreign countries by selling with internationally accepted documentary letters of credit, documentary collections and receivables insurance through Export Development Canada ("**EDC**"). Nonetheless, there is a residual risk that goods may be repudiated by a foreign buyer who may refuse delivery of the product after it has been shipped but before it has been paid for in full. This could lead to residual costs to the Fund affecting its profitability. Risk management programs are in place to minimize these risks of the international marketplace.

In addition, the Fund's Distributable Cash will depend on the Fund's success in keeping its operating costs low and funding any increases in expenses, as discussed under "Liquidity and Capital Resources", above.

Outlook

The Fund is well positioned to capitalize on the opportunities of the 2008-2009 crop year. The seeding of the pulse-growing area is nearing completion, with growing conditions looking positive. Record exports have tightened supplies but the Fund is geographically and product diversified, allowing it to draw available product from all areas of Canada, Australia and the US.

With the acquisition of Saskcan in August 2007, the Fund has broadly expanded its global reach, client base and product mix. Being able to offer the full range of split and value-added lentils, peas and chickpeas puts the Fund's operating company in a position of strength among its competitors globally.

The continued very strong demand from the Indian sub-continent and strong demand from the Middle East and Latin America for pulse crops support management's view that the Fund will continue to have strong revenues and earnings growth through 2008. The US and Australian acquisitions and increased capacity utilization of Canadian assets will boost the funds tonnage shipped and allow the fund to capitalize on a 2008 crop forecast to be larger than 2007.

Traditional protein crops like corn, wheat and soy are being consumed at an increasing rate by the growing biofuels industry in the US. This is driving up the global prices of such crops and is affecting the demand for pulses as the developing world is consuming more pulses to replace the traditional protein crops that are being priced out of the diets of subsistence consumers. Other production origins in competition (India and Turkey) have reported sub-par crops and crop growing conditions for 2008 further solidifying management's belief that its 2008 performance will continue to show positive growth.

The acquisition of United Pulse in North Dakota and Australia Milling Group were key events in the implementation of management's global production diversification strategy. These plants are operational and are expected add substantial earnings potential to the Fund's operations.

Management continues to build international sales opportunities to bring its five North American processing plants to capacity. The Fund continues to investigate opportunities for additional acquisitions, partnerships and alliances in the Americas and globally.

Forward Looking Statements

This discussion and analysis of financial position, results of operations, and cash flows of the Fund contains certain forward-looking statements. Forward-looking statements include but are not limited to those with respect to the price of lentils and other crops, the estimated size and quality of future harvests of lentils and other crops, costs of production, currency fluctuations, and requirements for additional capital. In certain cases, forward-looking statements can be identified by the use of words such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes" or variations of such words and phrases, or state that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Fund (including its operating subsidiaries) to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such risks and uncertainties include, among others, the actual results of harvests, fluctuations in the price of lentils and other crops, failure of plant, equipment or processes to operate as anticipated, accidents, or labour disputes, risks relating to the integration of acquisitions or to international operations, as well as those factors referred to in the section entitled "Risk Factors" in the prospectus of the Fund dated December 30, 2004 which is available on SEDAR at www.sedar.com, and which should be reviewed in conjunction with this document. Although the Fund has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. The Fund expressly disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except in accordance with applicable securities laws.