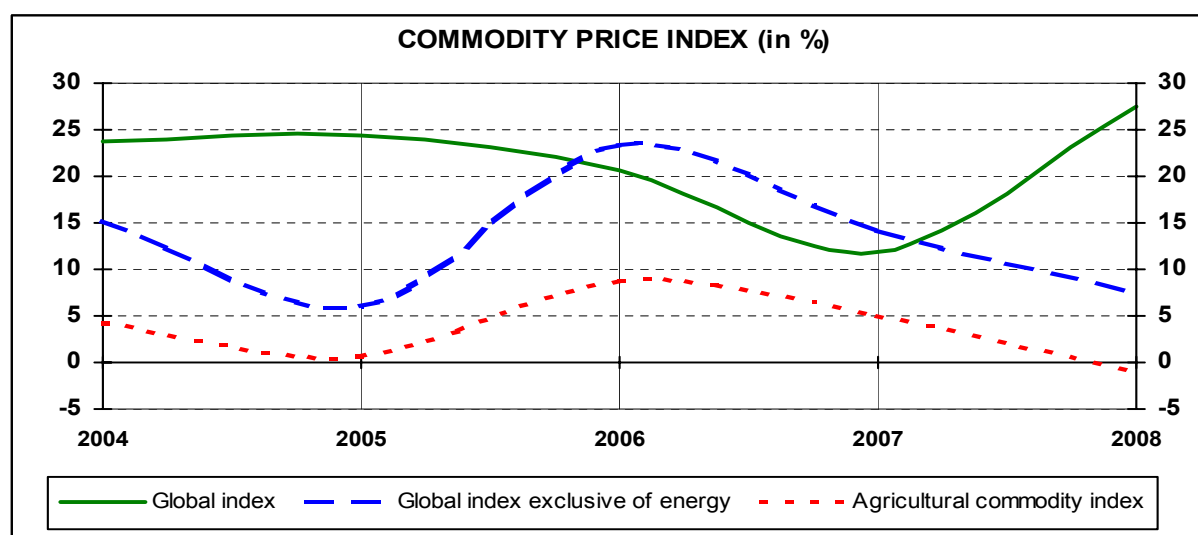


IV. WORLD COMMODITIES MARKET

2008 was marked by a steep increase in commodity prices over the first half of the year, reaching record levels for a number of products. Prices then fell sharply in the second half of the year. For the first period, prices continued on the upward trend in effect since 2003, in a context of sustained world demand for industrial raw materials, especially from emerging countries such as China, India, Brazil and Russia. Demand was especially high for energy and the main foodstuffs, in a context marked by low world stocks and low production levels. Soaring prices for commodities (which helped exporting countries and hurt trade balances in importing countries) ended in July 2008. As of August of the same year, a downward spiral in the prices of most products then began, especially with the start of recession in the main industrialised countries and the resulting drop in international demand, on top of the effects of appreciation of the US dollar and of withdrawal from raw material markets of speculative funds seeking liquidity in the prevailing financial turmoil. The overall commodity price index expressed in dollars went up by a total of 27.6% in 2008, compared to 11.8% the year before. There was faster growth mainly in the price of energy products (40.1% vs. 10.4% a year earlier) and those of food (22.7% vs. 15.9%). Inversely, the price index for base metals dropped by 8%, following 2007's 17.4% increase, mainly attributable to falling prices for lead, zinc and copper. Exclusive of energy, trends in world commodity prices grew more slowly than the year before : 7.4% on average vs. 14.1%.



A. FOODSTUFFS

World prices for foodstuffs went up sharply over the first half of 2008, influenced by fairly strong international demand and disruption in supply because of uncertain weather, higher production of bio fuels, and export restrictions imposed by a number of countries to cope with the food crisis. Over the second half of the year, prices tended to fall, affected by shrinking demand, an end to export restrictions, and promising prospects for harvest of most products.

World production of cereals went up in 2008 at almost the same pace as a year earlier (6%) to a record level of 2,491 million tonnes. Although most of this production continued to be in developing countries, the increase was based mainly on better harvests in developed countries,

where production was up by 12.3% on average vs. growth of 2.3% for developing countries. The wheat harvest recorded the highest increase (12.4% vs. 2.3% in 2007), followed by that of secondary cereals (4.6% vs. 9.6%) and rice (2.5% vs. 3.8%). Higher production of wheat was attributable essentially to the main European country producers, following an increase in land planted and higher yields, which are for the most part higher than the world average. This helped largely offset the drop and/or slower growth in production in other regions such as Asia and particularly the Middle East (notably Turkey and Iran) as well as South America (especially Argentina), where the harvest was adversely affected by drought.

CEREAL WORLD PRODUCTION

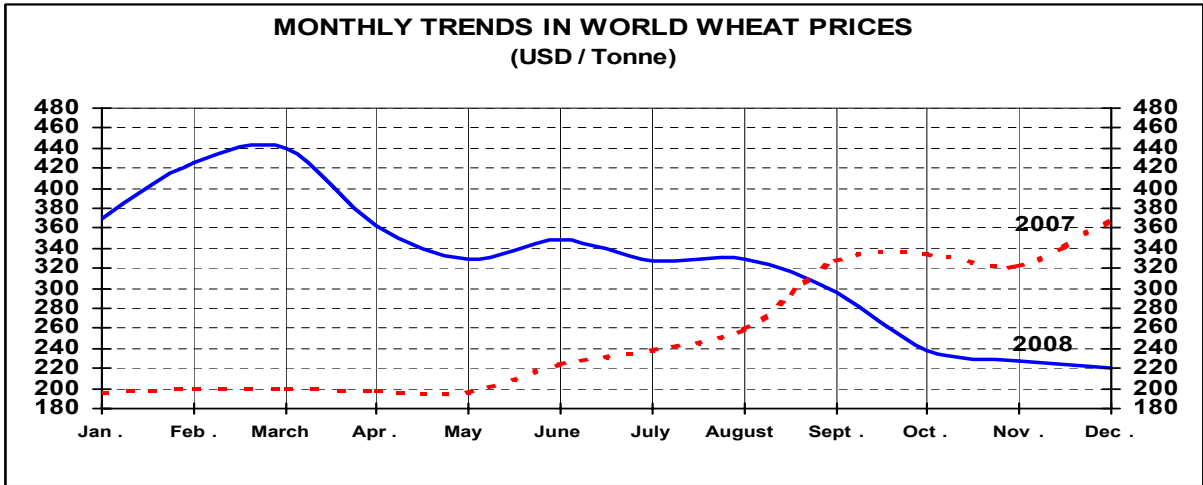
(In millions of tonnes)

Description	2006	2007	2008	Variation in %	
				2007/2006	2008/2007
Total	2,216.2	2,349.0	2,491.3	6.0	6.1
- Wheat	596.5	610.5	686.1	2.3	12.4
- Secondary cereals	985.1	1,080.0	1,130.2	9.6	4.6
of which : *Corn	712.3	793.0	787.1	11.3	-0.7
*Barley	137.4	134.4	154.5	-2.2	15.0
- Rice	634.6	658.5	675.0	3.8	2.5

Source : Food and Agriculture Organisation (FAO)

Despite improved production, world prices for wheat went up in 2008 by 27.8%, compared to 32.8% a year earlier. They reached record levels in the first half of the year, with a peak of \$440 dollars a tonne in March. Prices then fell to \$220 a tonne in December, a drop of some 40% compared to the previous year's level. This was due in particular to prospects for a good harvest, on top of an end to export restrictions in most exporting countries. This drop in prices accelerated in the closing months of the year, reflecting increasing concern about slowing demand in the wake of the world economic and financial crisis.

The same trend held for the price of secondary cereals. In particular, promising prospects for production in most regions, abundant availability of wheat to be used in cattle feed, and slower growth in the world economy that caused a drop in demand for secondary cereals (especially corn, used in the production of ethanol) were the main factors influencing prices over the second half of 2008. Corn prices, after hitting a peak of \$287 a tonne in June, fell in December 2008 to a level that was 12.2% under the previous year's figure. Still, for the year as a whole, prices went up by a steep 36.8% vs. 33.6% in 2007, to an average of \$223 a tonne. Barley prices followed the same trend, despite considerable recovery in production (+15% vs. -2.2% in 2007).



Rice enjoyed record production in 2008 of 675 million tonnes, about 27% of the world cereal harvest. But despite this higher level of production in most regions (especially Asian countries), world rice prices went up by an astronomical 85.7% (vs. 8.6% in 2007) to an average of \$700 a tonne. This was based on faster growing prices over the first five months of the year, with a record of more than \$1,015 per tonne in April. Rice prices then began to fall, in line with higher exportable availability, following partial or total suspension of export restrictions and favourable prospects for harvests. Overall, rice prices remained high, posting an average of \$551 per tonne in December 2008 compared to \$398 in December 2007.

World production of fats and oils rose by 4.9% (vs. 1.8% in 2007) to 163 million tonnes. This increase involved production of palm oil (+10.7% vs. 3.6% a year earlier) and of colza oil (+7.6% vs. -1.2%).

VEGETABLE FATS WORLD PRODUCTION

(In millions of tonnes)

Description	2006	2007	2008	Variation in %	
				2007/2006	2008/2007
Total	152.6	155.4	163.0	1.8	4.9
of which :					
- Soybean oil	34.6	36.4	37.5	5.2	3.0
- Palm oil	36.0	37.3	41.3	3.6	10.7
- Colza oil	17.2	17.0	18.3	-1.2	7.6
- Olive oil	2.6	2.8	2.6	7.7	-7.1

Sources : Food and Agriculture Organisation (FAO), United States department of agriculture (USDA) and international olive oil Council

World prices for the main vegetable oils followed an upward trend over the first half of 2008. This was due in particular to a drop in the soybean harvest in the United States (the leading producer) because of flooding in production areas, soaring oil prices that brought about a significant increase in land used to produce bio fuels, and disruption in supply because of the soybean crisis in Argentina, the third largest exporter in the world.

Soybean oil prices hit a record level of \$1,414 per tonne in June 2008. Prices since then took a downturn, falling to \$681 per tonne in December. In terms of annual averages, prices went up by 41.8% vs. 44.9% in 2007.

Palm oil, which has the highest consumption in the world, posted prices ranging from a record of \$1,147 per tonne in March 2008 because of insufficient supply of other vegetable oil to \$440 per tonne in December (-50% approximately compared to the December 2007 figure). On average, they went up by 20% (vs. 72.4% a year earlier) to \$863 per tonne. It should be noted that the world market for palm oil is essentially dominated by two countries that account for almost 85% of overall production : Malaysia and Indonesia.

International prices for peanut oil went down by some 19% between end 2007 and end 2008. But in terms of annual averages there was a high 57.6% increase to \$2,131 per tonne, compared to an increase of 39.4% in 2007.

Olive oil, despite a 7.1% drop in world production (vs. 7.7% increase in 2007), continued in 2008 on the downward price trend that began the year before, influenced by lower demand from industrialised countries and by projections of good harvests in most of the leading producing countries for the 2008-2009 season. Between the end of 2007 and the end of

2008, prices for this product went down by 26.2% to \$3,355 per tonne in December 2008. Average level fell by 8.6% to \$4,167 per tonne, compared to a drop of 16.9% a year earlier.

Prices on the world market for sugar recovered markedly, despite higher stocks (especially in India), higher production and a higher level of exportable quantities. This was due mainly to higher production costs (especially for energy), the impact of depreciation of the US dollar, and projected low sugar harvests in 2009, especially in Brazil, the European Union and India. India has even announced that it may import sugar in light of expected low production. Thus international prices for sugar went up in 2008 by almost 25% on average, vs. a drop of 32.5% the year before.

Coffee prices rose in 2008 by 10.5% on average (vs. 7.6% a year earlier) to \$2,698 per tonne. This faster growth was attributable for the most part to a drop in production for the 2007-2008 season (-8.3%). For this product, after rising in the first half of the year, prices turned downward as the international economic and financial crisis foreshadowed lower demand, and good harvests were projected for 2008-2009 that could go to record high production. In effect, falling prices accelerated over the last quarter of the year, posting \$2,099 per tonne in December, a drop of 23.3% from the December 2007 figure, compared to an increase of 24.6% a year earlier.

AVERAGE PRICES OF FOODSTUFFS

(In dollars per tonne)

Products	Places of quotation	Averages for December			Annual averages		
		2007	2008	Variat. 2008/2007 in %	2007	2008	Variat. 2008/2007 in %
Wheat	Gulf Ports U.S.	369	220	-40.4	255	326	27.8
Corn	Gulf Ports U.S.	180	158	-12.2	163	223	36.8
Rice	Thailand	398	551	38.4	377	700	85.7
Oil :							
.Soybean	Dutch Ports	1,027	681	-33.7	800	1,134	41.8
.Palm	Malaysia/North Europe	884	440	-50.2	719	863	20.0
.Peanut	Europe	1,780	1,436	-19.3	1,352	2,131	57.6
.Olive	United Kingdom	4,543	3,355	-26.2	4,561	4,167	-8.6
Sugar	Brazil	231	249	7.8	220	274	24.5
Coffee	New York	2,736	2,099	-23.3	2,442	2,698	10.5
Cocoa	London & New York	2,120	2,420	14.2	1,958	2,573	31.4
Tea	London	2,061	2,285	10.9	2,119	2,695	27.2

Source : IMF International Financial Statistics

2008 saw an end to the downward spiral in tea prices recorded the year before. Prices rose an average of 27.2% after falling by 12.3% in 2007. This trend was due mainly to sustained world demand (notably in Asia, Russia, the Ukraine and the United States) and a drop in world production due to lower harvests in Kenya and Indonesia, along with forecast of lower stocks at the end of the year. Tea prices were not spared from the impact of economic recession in industrialised countries starting in the last quarter of the year. They fell to \$2,285 a tonne in December 2008, after having hit a record \$3,219 in August, a level not experienced in the past 25 years.

World cocoa prices recorded a sharp increase of 31.4% on average, compared to 23.1% in 2007, with prices shooting up to \$3,000 a tonne in June 2008, the highest level in 28 years. There were many major factors influencing faster growth in prices for this product, notably

uncertainty about the harvest in the Ivory Coast, falling production in Indonesia and Ghana, and high world demand, especially in western Europe, Russia and China, especially in the first half of the year. Despite slight slowing starting in August, the market for cocoa for the most part held up well over the fourth quarter of the year, when the world economic crisis started to affect commodity markets as a whole. Thus cocoa prices rose to \$2,285 a tonne in December, an increase of 14.2% vs. 24.6% in December 2007.

B. INDUSTRIAL RAW MATERIALS

As was the case for world food prices, prices for industrial raw materials soared over the first half of 2008, influenced by high demand especially from emerging countries, depreciation of the US dollar, and an increase in speculative transactions. But this tendency turned around in the second half because of slowing economic activity worldwide and the difficulties encountered by a number of key sectors such as housing and automotive industries.

International cotton prices went up in 2008 at a sustained pace of 12.8% on average vs. 10.5% in 2007. They reached a record of \$1,768 per tonne in March before falling to a lower level of \$1,214 in December, the lowest figure since February 2005. Higher prices for this product over the first eight months of 2008 was caused by high demand from China and forecasts of lower production in the 2008-2009 agricultural season in the United States, Brazil and Turkey, following a reduction in land area devoted to cotton in favour of agro fuels (cereals and soybeans). This change in conditions, concern about the international economic and financial crisis, and the announcement of a drop of some 7% in industrial use of cotton in 2009 affected price trends starting in September, to close for the year with a drop of more than 20%, compared to an increase of 40.7% in December 2007.

AVERAGE INDUSTRIAL RAW MATERIAL PRICES

(In dollars per tonne)

Products	Places of quotation	Averages for December			Annual averages		
		2007	2008	Variation 2008/2007 in %	2007	2008	Variation 2008/2007 in %
Cotton	Liverpool	1,534	1,224	-20.2	1,395	1,574	12.8
Natural rubber	Singapore	2,491	1,250	-49.8	2,037	2,614	28.3
Copper	London	6,631	3,105	-53.2	7,132	6,964	-2.4
Tin	London	16,245	11,292	-30.5	14,495	18,467	27.4
Zinc	London	2,379	1,113	-53.2	3,250	1,885	-42.0
Lead	London	2,616	968	-63.0	2,579	2,093	-18.8
Phosphate	Casablanca	135	350	159.3	71	346	387.3

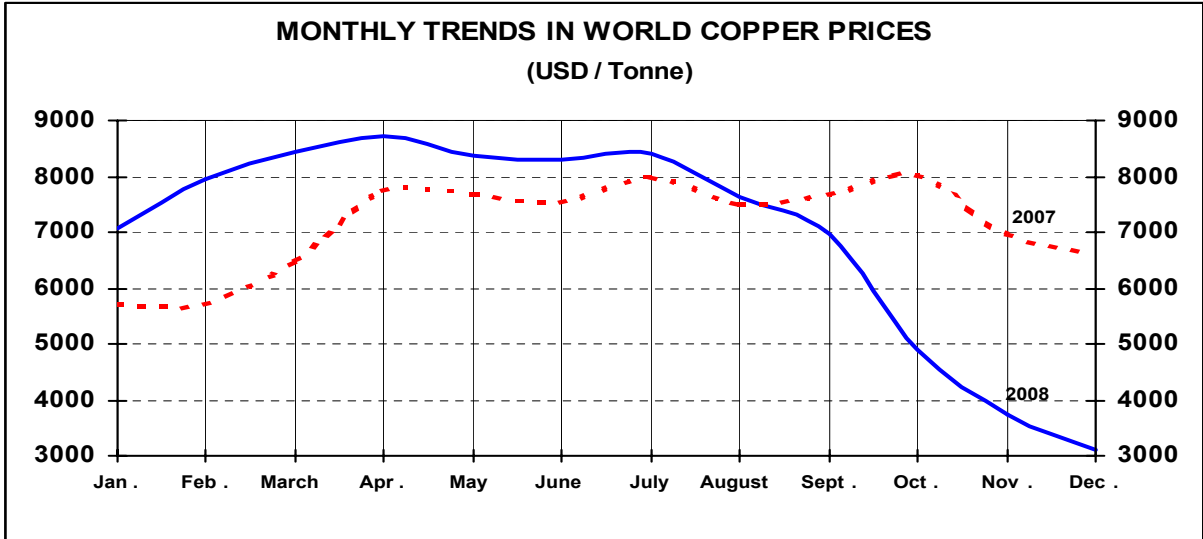
Source : IMF International Financial Statistics

World prices for natural rubber went up in 2008 at a faster pace than the year before (28.3% on average vs. 13.9%), taking advantage of a weak US dollar compared to the currencies of the main producing countries, soaring prices for oil that pushed up prices of manufacturing synthetic rubber, as well as high demand from the tire industry in China, the leading consumer and exporter of tires. Thus after going up until July 2008, the price of rubber began to drop starting in August, following forecasts of higher production in 2009, the major drop in oil prices, and lower world demand. Demand was particularly low in China, affected by the adverse effect of the international economic crisis on sales of cars and thus on demand for tires (70% of the final use of rubber). Consequently, rubber prices fell from \$2,491 per tonne

in December 2007 to \$1,250 in December 2008 (-50% approximately), after having reached a record level of \$3,242 a tonne in June.

As for base metals, world prices were marked in 2008 by slower growth pretty much everywhere, with a drop for certain metals such as copper, zinc and lead because of a sizeable drop in international demand starting the second half of the year, mainly in industrialised countries.

International prices for copper went down by 2.4% on average, compared to an increase of 6% in 2007. Price increases continued until July 2008, influenced by high demand from China, more speculation, and concern about production because of strikes at a number of mining sites and lack of equipment at others. Starting in August, prices for this metal fell precipitously (especially in the last quarter of the year) to \$3,105 a tonne in December, a drop of 53.2% from the December 2007 figure. This sizeable decrease was due in particular to weaker demand from developed countries suffering from economic recession starting the fourth quarter of the year.



Tin prices went up considerably in 2008, but much less than in 2007 (27.4% vs. 65.6%), with prices beginning to drop in August. From the end of 2007 to the end of 2008, prices fell from \$16,245 dollars to \$11,292 per tonne (-30.5%), compared to a record of \$23,854 in May.

Zinc prices continued on the downturn that began in the last quarter of 2007, posting a 42% drop in 2008 compared to virtual stagnation the year before (-0.5%). This situation was due in particular to abundant world supply, in line with higher mining production in Latin America, China, India, Iran and Kazakhstan, and the drop in consumption of zinc in Europe and the United States following the slowdown in economic activity. The very low level of international prices for this metal (which have fallen below production cost) has led several producing countries to close a number of mines and halt work at production sites, especially in Australia, Canada and the United States.

Lead prices dropped by almost 19% in 2008 after doubling the year before. This reversal in trend was due mainly to an increase in mining production in a number of countries such as Bolivia, Canada and China, combined with the impact of fallout from the world economic and

financial crisis on demand. In this context, world lead prices fell considerably starting from December 2007 to below \$1,000 a tonne in December 2008 (-63%).

Continuing in the same vein as in 2007, world prices for phosphates and phosphate-based products posted an unprecedented increase in 2008. Phosphate prices reached an average \$346 a tonne (up from \$71 the year before), with a record high of \$430 in August and September 2008. They then fell back to \$350 a tonne in December, an increase of 159.3% above the 2007 figure, in the context of diminishing world economic activity because of the financial crisis. Despite the 7% increase in world production of phosphates in 2008, soaring prices for this product were fanned by unbridled international demand, especially from China and India for use in fertilisers. China imposed taxes and restrictions on exports in order to ensure coverage of its ever-growing domestic needs.

C. CRUDE OIL

After an upward price trend in effect since 2003, the international oil market was characterised by two very distinct periods in 2008. The first lasted until the summer, with prices for a barrel of oil continually rising to reach a record level very near \$150 a barrel for the light sweet crude in mid July. The second period, which started in July, saw prices fall by some 70% between July and December 2008.

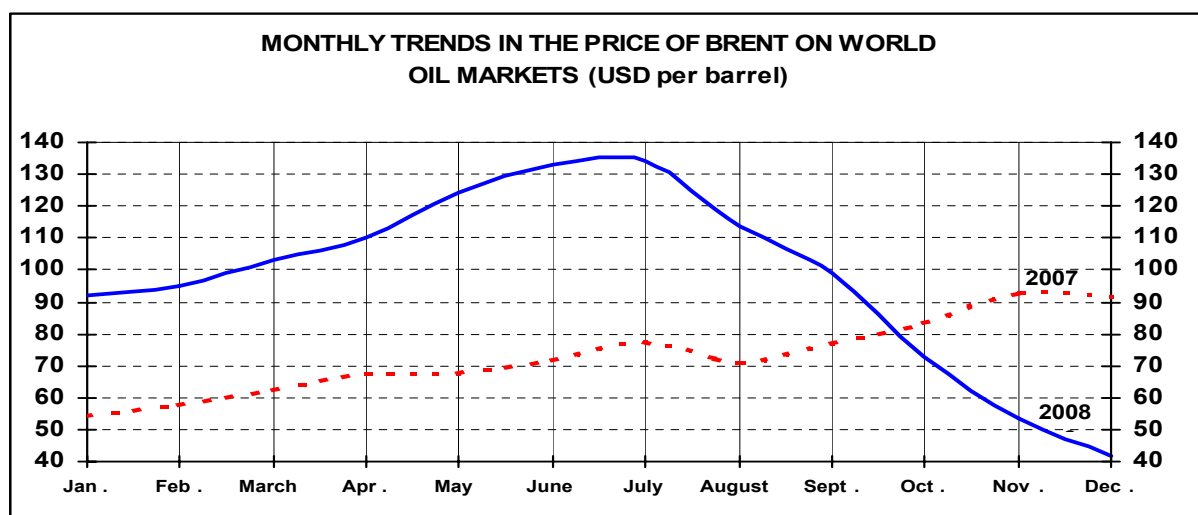
The main factors causing crude oil prices to soar until the end of July (high international demand, concern about insufficient refining capacity, greater speculation in a context of flat stock market activity, and a weak US dollar) were no longer in effect by August 2008, as economic prospects deteriorated. Thus the risk of faster slowing of demand (especially after the start of recession in the main industrialised economies) along with a stronger dollar led to a drop in crude prices, which by December 2008 had fallen to their 2004 level of some \$42 for a barrel of Brent. This was a drop of 54.5% from the December 2007 figure, following an increase of 46.7% a year earlier.

TRENDS IN WORLD SUPPLY AND DEMAND FOR CRUDE OIL (In millions of barrels per day)

Description	2006	2007	2008	Variation in %	
				2007/2006	2008/2007
Oil supply	85.5	85.6	86.4	0.1	0.9
OPEC	34.3	35.4	36.9	3.2	4.2
Outside OPEC	51.2	50.2	49.5	-2.0	-1.4
Oil demand	85.1	86.0	85.7	1.1	-0.3
OECD	49.6	49.1	47.5	-1.0	-3.3
Outside OECD	35.5	36.9	38.2	3.9	3.5
Difference : supply - demand	0.4	-0.4	0.7		

Source : "Le Pétrole et le gaz arabes" Magazine

Faced with this situation, in an effort to reintroduce balance on the oil market, the Organisation of Petroleum Exporting Countries (OPEC) reduced its production ceiling by more than four million barrels a day between September and December 2008. Thus the average price for a barrel of Brent went up by some 34% over the remainder of the year (vs. 11% the year before) to \$97.66.



As for world supply and demand for crude oil, the market was characterised in 2008 by average supply that exceeded demand by 0.7 million barrels a day. A 0.9% increase in supply of oil, attributable solely to OPEC countries (4.2%), was in contrast to a 0.3% drop in world demand, more specifically that of OECD countries (-3.3%), whose share came to more than 55% of total.

TREND IN CRUDE OIL PRICES ON INTERNATIONAL MARKETS

(In dollars the barrel)

Description	2001	2002	2003	2004	2005	2006	2007	2008
Brent	24.41	25.00	28.85	38.30	54.44	65.39	72.71	97.66
Light sweet crude	25.87	26.12	31.10	41.45	56.44	66.05	72.29	99.66

Source : IMF International Financial Statistics

D. THE EFFECT OF PRICE TRENDS FOR THE MAIN COMMODITIES ON TUNISIA'S BALANCE OF TRADE

Like other countries, especially net importers, Tunisia suffered from the impact of the unprecedented increase in commodity prices (especially prices for food and energy products) over the first half of 2008.

On the basis of a sample of traded products representing about 35% of overall exports and 41% of imports, price trends on the world market mean a negative impact estimated at 351.9 MTD or 5.3% of the overall deficit in the balance of trade. This figure would have been higher if it had not been for the drop in international prices over the second half of the year. In particular, higher energy prices throughout the year had a negative effect of 176.3 MTD (half of the overall adverse impact) on the balance of energy and thus on the balance of trade. In effect, 1,238.6 MTD in gains from export of energy was not enough to offset the negative impact of imports (almost 1,415 MTD), notably crude oil (319.8 MTD), diesel fuel (485.8 MTD) and natural gas (206.5 MTD).

Exclusive of energy, the increase in world prices had a negative impact of 175.6 MTD. This is because the positive effect especially of exported phosphoric acid (634.5 MTD), phosphate diammonium (617.9 MTD) and triple superphosphate (471.1 MTD) was offset by an increase in the cost for purchase of a number of products, notably non refined sulphur (953.6 MTD), cast iron/iron/steel (457.8 MTD), cereals (317.3 MTD) and vegetable oil (209.4 MTD).

IMPACT OF PRICE TRENDS FOR THE MAIN COMMODITIES ON TUNISIA'S BALANCE OF TRADE

(Quantities in thousands of tonnes ; prices in dinars per tonne)

	2007			2008			Variation	
	Unit price	Quantity	Value in MTD ¹	Unit price	Quantity	Value in MTD ¹	Unit price	Impact in MTD
Exports			5,702.4			8,388.0		3,207.9
Olive oil	4,032	172.6	696.0	4,489	169.1	759.1	457	77.3
Seafood	10,879	21.4	232.8	11,880	20.0	237.6	1,001	20.0
Dates	3,062	68.9	211.0	3,010	69.5	209.2	-52	-3.6
Cereal flours	565	43.7	24.7	453	12.8	5.8	-112	-1.4
Crude oil	663	3,971.3	2,631.8	936	3,438.2	3,218.8	273	938.6
Refined oil products	613	825.6	506.0	941	914.7	861.1	328	300.0
Lime phosphate	57	1,236.7	71.0	205	879.1	180.5	148	130.1
Triple superphosphate	396	819.7	324.9	1,027	746.6	767.0	631	471.1
DAP	520	977.7	508.6	1,224	877.7	1,074.3	704	617.9
Phosphoric acid	382	900.3	343.9	1,341	661.6	887.2	959	634.5
Cement	98	1,550.4	151.7	112	1,668.6	187.4	14	23.4
Imports			8,161.0			12,359.7		3,559.8
Dairy milk	3,168	15.5	49.1	3,299	24.1	79.5	131	3.2
Meat	4,250	4.4	18.7	5,212	5.2	27.1	962	5.0
Hard wheat	547	609.2	333.4	721	659.2	475.3	174	114.7
Soft wheat	360	1,122.5	404.2	472	1,103.2	520.7	112	123.6
Corn	291	618.3	180.2	364	749.2	272.5	73	54.7
Barley	338	787.7	265.9	386	505.9	195.1	48	24.3
Coffee	2,492	12.6	31.4	3,112	16.9	52.6	620	10.5
Tea	1,935	9.3	18.0	2,288	10.4	23.8	353	3.7
Sugar	449	353.7	158.8	500	324.3	162.3	51	16.5
Vegetable oil ²	974	296.1	288.5	1,555	360.4	560.6	581	209.4
Crude oil	672	1,110.5	746.1	931	1,234.7	1,149.4	259	319.8
LPG	793	313.4	248.4	1,043	336.6	351.1	250	84.2
Fuel oil	426	681.1	290.0	609	725.3	441.8	183	132.7
Gas oil	798	1,211.2	966.7	1,166	1,320.1	1,539.3	368	485.8
Kerosene	896	175.4	157.2	1,291	275.6	355.9	395	108.9
Petrol	858	264.3	226.8	1,128	285.2	321.7	270	77.0
Natural gas	374	843.2	315.4	540	1,244.1	672.3	166	206.5
Non-refined sulphur	111	1,390.4	154.1	648	1,775.8	1,150.2	537	953.6
Ammonia	378	276.0	104.2	769	276.2	212.4	391	108.0
Wood & worked products	794	344.6	273.6	767	361.9	277.7	-27	-9.8
Bulk cotton	1,794	22.3	40.0	2,098	13.3	27.9	304	4.0
Paper pulp	874	89.2	78.0	905	92.4	83.6	31	2.9
Natural rubber	2,906	13.8	40.1	3,410	13.9	47.4	504	7.0
Raw tobacco	3,696	7.9	29.2	4,115	8.7	35.8	419	3.6
Plastic raw materials	2,317	262.7	608.7	2,403	274.2	658.8	86	23.6
Plastic worked products	6,726	77.8	523.3	7,097	85.3	605.4	371	31.6
Cast iron, iron & steel	759	1,380.5	1,048.1	1,125	1,250.9	1,407.2	366	457.8
Copper & worked products	9,482	42.7	404.9	9,457	48.1	454.9	-25	-1.2
Aluminium & worked products	5,284	29.9	158.0	5,236	37.7	197.4	-48	-1.8
Overall effect (Export – Import)								-351.9
Of which : energy³								-176.3

Sources : National Statistics Institute (INS) and BCT

¹ Figures comply with data in foreign trade chapter.

² Edible oil and for other usage.

³ Includes imports of crude oil, natural gas and the main refined oil products (PLG, fuel-oil, gas-oil, kerosene and petrol).