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PROJECT PAPER
THE RELATIONSHIP BETWEEN THE PRICE OF NATURAL RUBBER WITH
EXCHANGE RATE, PRODUCTION AND EXPORT

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MARCH 2005

ACKNOWLEDGEMENT

“In the name of Allah, the Merciful, the Beneficent”

Glory to Allah S.W.T, the most gracious, the most merciful and peace to upon his messenger Holy Prophet Muhammad S.A.W the worship belongs to only Allah S.W.T.

I would like to express my sincere gratitude to my advisor Dr. Asry B. Yusof for his invaluable guidance, support and encouragement during the course of this study. It is immensely fortunate for me to work with him, his technical expertise was indispensable and his patient during the learning process is greatly appreciated.

I also would like to acknowledge the effort of all my friends for all comments and suggestions, especially En. Amin Bin Abdullah and En. Azwardi Bin Che Ab. Ghani. The careful evaluation of my study is highly appreciated. I am profoundly grateful to my parents, for encouraging me to finish up my research and for their unwavering love and confidence in me.

Finally, my gratitude goes to the people who always with me either in enjoy or pain.

Thank you.

ABSTRACT

The study concentrates on the relationship between the price of Natural Rubber with the exchange rates (USD, GDM, and YEN), production and export volume of NR. The main purpose of this research is the natural rubber price that has been observed to fluctuate over the years. The volatility of NR prices from 1993 to 2004 shows an instability pattern, which sometimes too high and sometimes too low. The price instability and hence uncertainty pose significant challenge to the decision makers who depend on NR prices to minimize risk. Researcher use these independent variable because based on the previous study, the main factor to determine the price of NR is exchange rate, demand and supply, The secondary data is collected based on monthly basis taken from January 1993 to November 2004 was analyzed for natural rubber prices of SMR20, exchange rate of USD, GDM & YEN, production and export volume of Malaysia natural rubber. This study is using both simple linear regression and multiple linear regression method. Based on analysis from simple linear regression and multiple linear regression models, only the production volumes of NR has significant represent the NR prices. Meanwhile all selected exchange rates (USD, GDM & YEN) and export volume of NR shows that there is no significant relationship toward the NR prices.

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CHAPTER ONE

1. INTRODUCTION

1.1. Background of the Study

Since a long time ago, Malaysia is one of the world largest producer agriculture sectors include palm oil, rubber, cocoa, paddy, tobacco and so on. Malaysia is still become one of the world's producer and exporter throughout the world. Malaysia's economic prosperity was mainly based on abundant natural resources and on a climate, with conducive to the production of a wide range of agriculture commodities.

In line with Government's effort to achieve greater industrialization, the primary commodities sector has undergone structural changes by gradually shifting its focus from merely producing materials to semi-processed higher value-added manufactured product for the export market.

The importance of primary commodities product to the economic development of the country has never been neglected. The inclusion if rubber, palm oil, cocoa and timber in the second industrial plan (IMP2) (1996-2005) reflect the significance of the product in complementing and supporting the overall industrial development of the country,