



UNIVERSITI TEKNOLOGI MARA

**FACTORS THAT AFFECT THE PRICE OF CRUDE
PALM OIL IN MALAYSIA**

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ABSTRACT

According to MPOB, Malaysia represented 25.8% and 34.3% of world's palm oil production and exports, respectively. Whenever considered of different oils and fats created in the country, Malaysia represented 9.1% and 19.7% of the world's total production and exports of oils and fats in the same year. The purpose of this study is to investigate the connection between the price of crude palm oil and the production of crude palm oil, export of crude palm oil, inventories of crude palm oil, price of Brent crude oil, price of soybean oil, and price of sunflower oil in view of the supply and demand hypothesis. The market interest hypothesis expresses that the inventory elements will have a negative relationship towards price and the interest variables will have a positive relationship towards price. This study used Standard Least Square technique by utilizing month to month information for 10 years from 2011 to 2020. The discoveries of this study bring about a consequence outcome that the price of Brent crude oil isn't huge in impacting the price of crude palm oil. As per earlier exploration by Ab Rahman et al. (2017) and Abdullah, Abas, and Ab Rahman (2007), the price of Brent crude oil had connected with the price of crude palm oil since the execution of biodiesel in 2006.

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CHAPTER ONE: INTRODUCTION

1.1 INTRODUCTION

This part includes the foundation of the review and its concern proclamation. This part expresses the examination goals, research questions, and exploration speculations. Moreover, the importance, degree, and limit of the review are additionally tracked down in this segment.

1.2 BACKGROUND OF STUDY

The way of behaving of crude palm oil price is straightforwardly affected by four consequence major angles which the first one is palm oil supply, which incorporates crude palm oil production, palm oil export, and palm oil inventories. Interest the commodity of palm oil items is for the second one. The third one think about the expense of close substitute items, for example, Soybean Oil and Rapeseed Oil. The fourth central component that can influence the CPO price conduct in the worldwide market is the price of Brent Crude Oil has turned into the as a result of the biodiesel factor as per Ab Rahman, Balu, and Shariff (2013). CPO price conduct reflects harmony or unpredictability in view of market interest parts.

The price of not entirely settled by supply and demand factors. A solid interest for PO would make the price of PO increment according to Ab Rahman, Balu, and Shariff (2013). Anyway this will make the price of PO decline assuming the development of PO supply surpasses the development of interest. As indicated by Abdullah, Abas, and Ab Rahman. (2007).The price of Brent Raw petroleum consequencely affects the price of CPO since making of biodiesel, whose utilization was effectively advanced since.

As indicated by different analysts, for example, Ab Rahman et al. (2017), Abdullah (2013), and Abdullah, Abas, and Ab Rahman (2007), many factors can influence the CPO value, which are fundamentally production, export, and inventories of CPO itself. However, there are a few components that are not featured which likewise can impact the CPO price. Other oil price other than Brent Crude Oil (BCO) likewise could give impact on the price of CPO, for example, Sunflower Oil (SFO) and Soybean Oil (SBO). Thus, I will assume this liability to research and track down a decision about this hypothesis.