



UNIVERSITI TEKNOLOGI MARA

**IMPACT OF PALM OIL SUPPLY AND DEMAND ON CRUDE PALM OIL PRICE
BEHAVIORS 2020**

**FATIN NUR FATHIHAH BINTI NASARUDIN
2018676696**

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ABSTRACT

This paper is to examine the Impact of Palm Oil Supply and Demand on Crude Palm Oil Price Behaviors 2020. Using palm oil mature area, dummy for weather, oil extraction rate with the proxy of GDP deflator (annual %), soya bean oil price(USD per barrel), palm oil stock, crude palm oil price and Brent crude price(USD per barrel) as variables. The data covers 2020 starting from January 2020 until December 2020. This study employ ordinary least square method (OLS) and found that mature, oil extraction rate, soya bean oil price has significance relationship CPO price while weather, CPO production, stock palm oil, total oil palm export products has insignificance relationship with CPO price.

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CHAPTER ONE

INTRODUCTION

1.1 Introduction

The current fetching behavior of crude palm oil is more complex and therefore very costly. This may be because palm oil is the largest traded vegetable oil in the world. The eras for Indonesia and Malaysia in 2020 were 33.4 million tonnes and 19.9 million tonnes respectively. The discovered CPOs are subject to the partitioning of moving components over time. Palm oil demand increases the CPO cost of the showcase, but if palm oil supply is faster, it will cause the CPO cost to go down. Alternatives to palm oil, such as soy or recurring oil, are finished in addition to the most important factors that can affect CPO prices.

1.2 Background of Study

CPO costs depend on some of the components that change frequently. On a regular basis, its actions are determined by the forces of the market, namely supply and demand factors (Faizah et AL., 2006). Strong demand for oil palm items will lead to an increase in the market. However, if the increase in palm oil supply is much faster than the increase in demand, it will have a negative impact. The cost of palm oil alternatives such as soybean oil and canola oil seed oil has also become a fundamental factor that can have an impact on the global market. The cost of Brent non-refined oil in expansion also plays an important role in terms of the impact of biodiesel, which was forced to take advantage of in 2007 (Ramli et AL., 2007).

Therefore, CPO cost execution depends specifically on four key components. First, the palm oil supply consists of CPO creation, palm oil inventory and palm oil imports. In addition, the demand for palm oil for the shipment of palm oil items. Third, the cost of most alternatives cases. Soybean oil and canola oil. As a result of the bio diesel factor, the cost of Brent non-refined oil has become the fourth major figure that can influence CPO pricing in the global market. CPO