![Universiti Teknologi MARA Cawangan Kelantan logo]

A STUDY ON FACTORS THAT AFFECTING THE

VOLATILITY OF CRUDE PALM OIL PRICES

IN MALAYSIA

NURHANISA BINTI MUSTAFA

2008403806

**BACHELOR OF BUSINESS ADMINISTRATION WITH
HONOURS (FINANCE)
FACULTY OF BUSINESS MANAGEMENT
UNIVERSITY TECHNOLOGY MARA
KOTA BHARU CAMPUS**

APRIL 2011

'DECLARATION OF ORIGINAL WORK'

I, NURHANISA BT MUSTAFA, (I/C Number: 891130065702)

Hereby, declare that:

- This work has not previously been accepted in substance for any degree, any locally or overseas, and is not being concurrently submitted for this degree or any other degrees.

- This project paper is the result of my independent work and investigation, except where otherwise stated.

- All verbatim extracts have been distinguished by quotation marks and sources of my information have been specifically acknowledged.

Signature: _____   Date:_____

ii

ACKNOWLEDGEMENT

"In the name of Allah SWT, the Merciful and Beneficent"

Praise be to Allah S.W.T for the blessing and giving me the strength and health to complete this project paper. First and foremost, I would like to thank you my kindness advisor, PM Mohd Nasser Bin Abdul Majid and my second examiner PM Mohd Nor Bin Shapiin for encouragement, invaluable advice, comments, friendship, understanding and constant guidance during the progress of my project paper. Without their continued support and interest, this thesis would not be the same as presented here.

I would like to express my special acknowledgement to En. Mohd Shaofi Bin Bahaman for giving me an opportunity to do industrial training at the organization and gives valuable information that needed for this research. I also wish to extend my gratitude to all wonderful staff of Sawira Sdn Bhd, which gives full cooperation in helping me to finish my research.

Sincere appreciations to my beloved family, especially my beloved parents Mustafa Bin Mohamad and Siti Esah Binti Mohamad,who always give endless love,full supports and encouragement in the process to finish this project paper. Last but not least, special thanks to all beloved friends and course mates that shared their experiences, time and commitment in finishing this report.

No such valuable words than "Thank You" to appreciate your eagerness and kindness. More than words could express on paper or could be spoken in words. Hopefully this research project would be guidance in future. Therefore to remember your kindness would always be my pleasure.

Thank You.
Nurhanisa Binti Mustafa

Table of Content

CHAPTER 1 : INTRODUCTION

CHAPTER 2 : LITERATURE REVIEW

Abstract

This paper provides a study on factors that affecting the volatility of crude palm oil prices in Malaysia. In this research, a multiple linear regression model is used to determine the relationship between crude petroleum oil prices, soybean oil prices, production of palm oil and crude palm oil prices. The econometric model is tested by using Statistical Procedure of Social System in order to identify the correlation and significant of the variables. The data used for this study is from January 1999 until December 2009 time period in monthly basis. The result then discussed in relation to the current and expected fundamentals of the palm oil market. As a conclusion, the study found that there is significant relationship between crude petroleum oil prices and soybean oil prices with crude palm oil prices in Malaysia. However, the production of crude palm oil have insignificant influence on Malaysian crude palm oil prices.