



**FACTORS THAT AFFECTING CRUDE PALM OIL (CPO)
PRICE**

**NAZATUL IZWAH BINTI CHE MAT
2012828844**

**BACHELOR OF BUSINESS ADMINISTRATION
(HONS) FINANCE
FACULTY OF BUSINESS MANAGEMENT
UNIVERSITI TEKNOLOGI MARA (UiTM)
JOHOR.**

DECEMBER 2014

ACKNOWLEDGEMENT

Foremost, I wish to count my blessings and thanks to Allah s.w.t for providing me with the good mental and physical and also other positive attributes to complete this challenging research paper. Special mention goes to my research advisor Pn.Siti Salwa binti Hassan for her guidance, supervision and support. Her goods comments and suggestions greatly assist in the successful completion of this project paper.

I also wants gives my appreciation to all those who have assisted in one way or another in the completion of this research paper. Moreover, very thankful to all my friends, family and office colleagues for their understanding, kindness and moral support during I'm tried to complete this assignment.

Thank you.

ABSTRACT

Crude palm oil industry is very important in producing goods such as detergents, foods and daily necessity. This paper aims is to analyze out the factors that affecting the crude palm oil (CPO) price. The variables considered are the price of soybean oil, price of crude oil, interest rate, palm oil supply, palm oil demand and foreign exchange. In this study is to determine the either the selected independent variable give significant and not significant to the CPO price. The CPO price will always changes because the influences from the fundamental and economics factors. So, this study I try to determine the relationship of another substitute good to the palm oil which is soybean oil price. Whether it can give an affect to CPO price. Moreover, the interest rates is been used in base lending rate (BLR). There have nominal interest rate and real interest rate. Nominal interest is the inflation are not been accounted and vice versa for real interest rate. Furthermore, the impact of increasing number of population in world will directly give to the supply and demand of palm oil. It is to identify the changes of CPO price due to the demand and supply of palm oil. Lastly, the foreign exchange is also changes in their value depending on the currency of that country. All of this factors need to investigate to make sure all the traded crude palm oil must give profitable to both producer, hedgers, exporters and importers.

TABLE OF CONTENTS

DECLARATION OF ORIGINAL WORK.....	I
LETTER OF SUBMISSION.....	.ii
ACKNOWLEDGEMENT.....	.iii
ABSTRACT.....	iV
CHAPTER 1.0 :INTRODUCTION.....	4
1.1BACKGROUND OF STUDY.....	5
1.2PROBLEM STATEMENT.....	6
1.3RESEARCH OBJECTIVE.....	6
1.3.1 Main Research Objective.....	6
1.3.2 Specific Research Objective.....	7
1.4 RESEARCH QUESTION.....	7
1.3.3 Main Research Question.....	7
1.3.4 Specific Research Question.....	7
1.5 SIGNIFICANCE OF STUDY.....	7
1.6 SCOPE OF STUDY.....	8
1.7 SUMMARY.....	8
CHAPTER 2.0 : LITERATURE REVIEW.....	9
2.1 INTRODUCTION.....	9
2.2 OVERVIEW OF CRUDE PALM OIL MARKET IN MALAYSIA.....	9
2.3 PRICE OF SOYBEAN OIL.....	10
2.4 INTEREST RATE.....	11
2.5 PALM OIL SUPPLY.....	11
2.6 PALM OIL DEMAND.....	12
2.7 FOREIGN EXCHANGE RATE.....	13
CHAPTER 3.0 : RESEARCH METHODOLOGY.....	14
3.1 INTRODUCTION.....	14
3.2 SAMPLE AND DATA.....	14
3.2.1.1 Target Population- Crude Palm Oil price.....	14
3.2.1.2 Sampling Size.....	14

3.2.1.3 Sampling Element-Formula.....	
3.2.2 DATA COLLECTION	
3.2.2.1 Secondary Data	5
3.2.3 VARIABLES	16
3.2.3.1 Dependent Variable.....	16
3.2.3.2 Independent Variables.....	16
3.3 THEREOTICAL FRAMEWORK.....	17
3.4 STATISTICS/ECONOMETRIC METHOD.....	17
3.4.1 Descriptive Analysis	17
3.4.2 Stationary Test.....	17
3.4.3 Normality Test.....	18
3.4.4 Correlation Analysis.....	18
3.4.5 Regression Analysis	18
3.4.5.1 Test on Assumption.....	18
a) Normality Test	18
b) Autocorrelation	19
c) Heteroscedasticity.....	19
d) Multicollinearity	20
e) RAMSEY	21
3.5 SUMMARY.....	21
CHAPTER 4.0 : DATA ANALYSIS.....	22
4.1 DESCRIPTIVE ANALYSIS.....	22
4.2 UNIT ROOT TEST : TEST OF STATIONARY	23
4.3 NORMALITY TEST.....	24
4.4 CORRELATION ANALYSIS - COVARIANCE ANALYSIS.....	25
4.5 MULTIPLE LINEAR REGRESSION ANALYSIS.....	26
4.5.1 Coefficient.....	27
4.5.2 Soybean Oil Price.....	28
4.5.3 Interest Rate.....	28
4.5.4 Palm Oil Demand.....	28
4.5.5 Palm oil Supply	29
4.5.6 Foreign Exchange.....	29
4.5.7 F-test.....	29