

DECLARATION OF ORIGINAL WORK

MARKET DETERMINANTS OF MALAYSIAN PALM OIL INDUSTRY



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Submitted in Partial Fulfillment of the Requirement for the Bachelor of Business

Administration (HONS) Business Economics

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ABSTRACT

CHAPTER 1 INTRODUCTION

This research paper involves the econometric analysis of the relationship between palm oil demand, supply and price in Malaysian industry. Two models are proposed in this research, in order to facilitate researcher in answering two different objective, but although, this country had shifted its economic from agricultural-based to capital-similar in manner. Model 1 used production as proxy for supply and exports as proxy for demand. For supply of palm oil, the independent variables are interest rate, price of palm oil and price of crude oil. While for demand side, the independent variables are exchange rate, price of soybean oil, palm oil and crude oil price. This research adopted two types of method, which are Ordinary Least Squares (OLS) and Seemingly Unrelated Regression (SUR) to differentiate the relationship of palm oil demand and supply separately and jointly. Using the time series monthly data from January 2009 until December 2015, the finding results shows that the results are different in both estimations. All variable are significant when being tested using OLS, but exchange rates and interest rate showed insignificant relationship during estimated using SUR. For model 2, researcher wanted to find out the direct relationship of the determinants towards price of palm oil. The results shows only price of soybean oil is significant towards the price of palm oil.

Keywords: Palm Oil Price, Supply And Demand, OLS, SUR