



اُنْبُورِ تِكْنُولُوجِي مَارَا
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A STUDY ON THE RELATIONSHIP BETWEEN MALAYSIA'S
CRUDE PALM OIL PRICE AND ITS PRODUCTIONS, STOCK AND
DEMAND ON DIFFERENT ECONOMIC SITUATION

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ABSTRACT

Malaysia and Indonesia are the largest and second largest producers and exporters of palm oil products in the world where both of them contribute about 83.5% of the productions and 89.6% of palm oil trade in the world. Both countries export crude palm oil (CPO) and processed palm oil (PPO). The trends of exports indicate Malaysian exporting increasing of CPO in the new millennium when CPO export increased from 0.4 MT to 1.3 MT in 2000 and 2001 respectively. Currently, Malaysia is the largest producer and exporter of CPO in the world. This paper attempts to identify the factors that affect the price of CPO. This study focuses on the relationship between production, stock and demand with the price of CPO on different economic situation. The dependent variable for this study is the price of CPO and the independent variables are production, stock and demand. The data of the variables are collected on monthly basis, which are 132 month from January 1995 to December 2005. In order to see the result, the regression technique is SPSS programme will be used as the research methodology. The method is chosen because it is one of the appropriate methods in completing this study. The coming result will be used as guidelines and recommendations. The result will indicate the significance of the study regarding the relationship between production, stock and demand with the price of CPO.

1.0 INTRODUCTION

1.1 BACKGROUND OF STUDY

Palm oil industry is an important component of national economy generally and in the agriculture sector in particularly. Palm oil plays a positive role in world oils and fats supply and demand. The history of palm oil can be traced back to the days of the Egyptian paraohs 5000 years B.C. The palm oil, *Elaeis quineensis*, which originated from West Africa, was introduced to Malaysia in the beginning of the 20th century and it was commercially produced in 1917. Today, palm oil is a well-known commodity throughout the world's food and oleochemical industries. Less than 50 years ago, palm oil was only available in Europe in a poor condition which was suitable to be used only for soap making and lubricants application.

The palm oil is extracted from mature fresh fruit bunches (FFB) of palm oil plantation. One hectare of oil palm yields appropriately 20 FFBs, which can crushed yields 6 ton of oils. Oil palm trees have a long life expectancy cycle. Seedlings are grown in nurseries for appropriately 12 months. A single mature tree at its peak can generate up to 8-10 bunches a year, weighing around 20-30 kg per bunch.