

**THE IMPACT OF PRODUCTION OF PALM OIL
TOWARDS ECONOMIC GROWTH IN MALAYSIA**

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ABSTRACT

This research report aims to identify the impact of production of palm oil towards economic growth in Malaysia. The increasing demand of production of palm oil has contributing to the economic growth in Malaysia. However, production of palm oil in Malaysia has to compete with Indonesia and production of soybeans oil that are capable in producing more products. Thus, factors that most influence the economic growth in Malaysia need to be identified.

The objectives of this study are to study the production of palm oil in Malaysia, to study the production of soybean oil in Malaysia and to determine whether capital or labor is the most factors influence the economic growth in Malaysia.

The study used descriptive research design. It focused on the production of palm oil in Malaysia scope. It involved the selection and analysis of secondary data, journals and related write-up that are relating to production of palm oil in Malaysia that includes the factors that affecting production of palm oil, production of soybeans oil, capital and labor of production of palm oil.

From the analysis of production of palm oil it can be seen that the total production is increasing year by year. There are constant increase in the production of palm oil and thus concluded that there is positive growth in the palm oil industry and the production of soybean is one factors that have contributed to the increasing the economic growth in Malaysia. On the other hand, the regression analysis clearly shows that the production of palm oil has positive relationship with the economic growth in Malaysia, and also positive relationship between production of soybeans oil, capital and labor of production of palm oil. Among all the factors. Production of palm oil and capital of production of palm oil has been identified as the factors that contribute the most economic growth in Malaysia.

CHAPTER 1

INTRODUCTION

1.1 Background of the study

The oil palm industry worldwide has provided the fastest increase in global oils and fats supplies over the last four decades. World palm oil production increased 20 fold from a mere 1.2 million tones in 2002, growing at a rate 7.8% per annum or more than that a double the total world oils and fats productions growth of 3.5% per annum during this period. The growth of palm oil output is exceeded that of oilseeds production which only expanded moderately by 3.7% per annum, despite a harvested area for the former which expanded 26 times more than the oil palm mature area.

The share of production of palm oil in the world oils and fats complex has increased from 4% in 1962 to 20.8% in 2002, as compared to the soybean oil during the same period. The increased number of production of palm oil is due to continued worldwide expansion of the oil palm planted area and the mature are coming into production as well as growing for vegetable oils. Furthermore, the discovery of palm oil potential as alternative sources for energy is also contributing to the economic growth in Malaysia.

Today, the global oil supplies have reached to a point whereas the demand have excess the supply and have led to an increased of oil price from time to time. Since Malaysia is the world's producer of palm oil and from this policy, Malaysia expects to double production of palm oil to meet growing economic in Malaysia. This study focused on the impact production of palm oil in Malaysia after Malaysia has launched the policy.

(Source: www.palmoilis.com.my)