A STUDY ON FACTORS THAT AFFECTING THE VOLATILITY OF CRUDE PALM OIL PRICES IN MALAYSIA

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Table of Content

<table>
<thead>
<tr>
<th>Chapter</th>
<th>Title</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Title Page</td>
<td>.................................................................</td>
<td>i</td>
</tr>
<tr>
<td>Declaration of Original Work</td>
<td>.................................................................</td>
<td>ii</td>
</tr>
<tr>
<td>Letter of Transmittal</td>
<td>.................................................................</td>
<td>iii</td>
</tr>
<tr>
<td>Acknowledgement</td>
<td>.................................................................</td>
<td>iv</td>
</tr>
<tr>
<td>Table of Contents</td>
<td>.................................................................</td>
<td>v</td>
</tr>
<tr>
<td>List of Tables</td>
<td>.................................................................</td>
<td>vii</td>
</tr>
<tr>
<td>Abstract</td>
<td>.................................................................</td>
<td>viii</td>
</tr>
</tbody>
</table>

CHAPTER 1 : INTRODUCTION

1.0 Overview ........................................................................................................ 1
1.1 Introduction .................................................................................................... 1
1.2 Background of study ..................................................................................... 2
  1.2.1 Overview of Palm Oil Industry ......................................................... 2
  1.2.2 Overview of Palm Oil Production ....................................................... 4
  1.2.3 Overview of Crude Petroleum Oil ..................................................... 5
  1.2.4 Overview of Soybean Oil .................................................................... 5
1.3 Background of the Company .......................................................................... 6
1.4 The Purpose of Study .................................................................................... 7
1.5 Problem Statement ....................................................................................... 7
1.6 Objectives of Study ...................................................................................... 7
1.7 Research Questions ....................................................................................... 8
1.8 Theoretical Framework .................................................................................. 9
1.9 The Hypothesis .............................................................................................. 9
  1.9.1 Hypothesis 1 ....................................................................................... 9
  1.9.2 Hypothesis 2 ....................................................................................... 10
  1.9.3 Hypothesis 3 ....................................................................................... 10
1.10 The Scope of Study ..................................................................................... 10
1.11 Limitation of Study ..................................................................................... 11
  1.11.1 Time constraints ............................................................................... 11
  1.11.2 Lack of information .......................................................................... 11
  1.11.3 Lack of experience .......................................................................... 11
  1.11.4 Accuracy and reliability of information ............................................. 11
1.12 Significant of Study ................................................................................... 12
  1.12.1 To Students ....................................................................................... 12
  1.12.2 To Palm Oil Industry ......................................................................... 12
  1.12.3 To the Researchers .......................................................................... 12

CHAPTER 2 : LITERATURE REVIEW

2.0 Literature Review ........................................................................................... 13
2.1 The Crude Petroleum Oil Prices & Crude Palm Oil Prices.................. 13
2.2 The Soybean Oil Prices & Crude Palm Oil Prices.............................. 18
2.3 The Production of Crude Palm Oil & Crude Palm Oil Price 20
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.