

**Voluntary Report** – Voluntary - Public Distribution

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**Report Name:** Government of India Approves Ethanol Procurement Prices for Upcoming Supply Season

**Country:** India

**Post:** New Delhi

**Report Category:** Biofuels, Agriculture in the News, Sugar, Trade Policy Monitoring, Policy and Program Announcements

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**Report Highlights:**

On November 10, 2021, the Cabinet Committee on Economic Affairs chaired by Prime Minister Narendra Modi approved new ethanol procurement prices for sugarcane-derived feedstock for the upcoming ethanol supply year 2021/22 (December 1, 2021, to November 30, 2022). The procurement prices for other feedstocks used in the production of second-generation ethanol are subject to revisions based on the determination of the oil marketing companies.

## Background

The Indian government's Cabinet Committee on Economic Affairs (CCEA) on November 10, 2021, notified its revised ethanol prices for fuel blending for ethanol supply year 2021/22 (December 1, 2021, to November 30, 2022). These prices establish the procurement mechanism under the Ethanol Blended Petroleum (EBP) program by government-owned oil marketing companies (OMC).

The following prices have been approved for the upcoming ethanol season. For a historical overview of the procurement prices, please refer to Table 1.

- (a) Ethanol derived from C-heavy molasses at Indian Rupee (INR) 46.66/liter (\$0.63/liter),<sup>1</sup> an increase of two percent over the price offered the previous supply year.
- (b) Ethanol derived from B-heavy molasses at INR 59.08/liter (\$0.79/liter), an increase of three percent over the price offered last supply year.
- (c) Ethanol derived from sugarcane juice, sugar/sugar syrup at INR 63.45/liter (\$0.85/liter), an increase of one percent over the price offered last supply year.

All these prices are exclusive of the Goods and Service Tax as well as transportation charges. Furthermore, with a vision to facilitate setting up advanced biofuel refineries in India, the government has given OMCs the authority to determine the pricing for grain-based feedstocks (rice, wheat straw, corn cobs, stover/bagasse and woody biomass) for second generation ethanol (Source: [Press Information Bureau](#)).

**Table 1. Year on year Ethanol Procurement Prices (INR/Liter)**

Feedstock	Indian Ethanol Supply Year (December-November)						
	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
C-heavy molasses	42	39	40.85	43.46	43.75	45.69	46.66
B-heavy molasses	0	0	0	52.43	54.27	57.61	59.08
Sugarcane juice/Sugar Syrup/Sugar	0	0	0	59.19	59.48	62.65	63.45
Damaged Food Grains	0	0	0	47.13	50.36	51.55	51.55
Surplus Rice issued by FCI	0	0	0	0	0	56.87	56.87
Corn	0	0	0	0	0	51.55	51.55

Data source: Ministry of Petroleum and Natural Gas, Government of India.

<sup>1</sup> For purposes of this report, one U.S. dollar equals INR 74.45.

B-heavy molasses, sugarcane juice and damaged food grains were allowed as feedstock for ethanol production, beginning in ethanol supply year 2018/19 onward. Surplus rice held by the Food Corporation of India, and corn were allowed as feedstock beginning supply year 2020/21. However as of October 31, 2021, almost 87 percent of India's ethanol production used for gasoline blending originated from sugarcane and its derivatives.

The government's decision looks to leverage economic advantages and increase savings on its crude oil import bill, reduce greenhouse gas emissions, and more importantly, reduce the debt burden of cane arrears (which are at a cumulative \$1.4 billion). Reducing cane arrears would improve the liquidity of sugar mills and safeguard the interests of domestic sugarcane farmers, especially after India ceded its contentious sugar export subsidies.

Moreover, accelerated diversion toward ethanol will not only aid India in chasing its blending goals of E-10 by 2022 and E-20 by 2025 and will absorb more domestic sugar production, so the likely impact on global sugar prices will be muted. India's average ethanol blending rate stood at 7.63 percent as of October 31, 2021, with a realized procurement of 2.71 billion liters of ethanol by the OMCs. With an end to supply season 2020/21, it is likely that India will have achieved an approximate 7.8 percent blend rate with gasoline.

For more details, please refer to GAIN [IN2021-0072](#) and [IN2021-0114](#).

**Attachments:**

No Attachments.