

Sugar Newscast

29 October 2020

CCEA revises ethanol prices for Ethanol Supply Year (ESY) 2020-21

On 29 October 2020, the Cabinet Committee on Economic Affairs (CCEA) increased the ethanol prices in the range of 4%-6% on y-o-y basis for the ethanol supply year (ESY) December 2020-November 2021. The primary aim behind the move is to divert sugar towards production of ethanol so as to reduce the supply glut of sugar in the country and to achieve the target of 10% blending of ethanol with petrol set for the Ethanol Blended Petrol (EBP) Programme. Also, the revision in prices comes in the backdrop of change in sugarcane price which was increased in August 2020 by 3.6% to Rs. 285 per quintal for sugar year 2020-21.

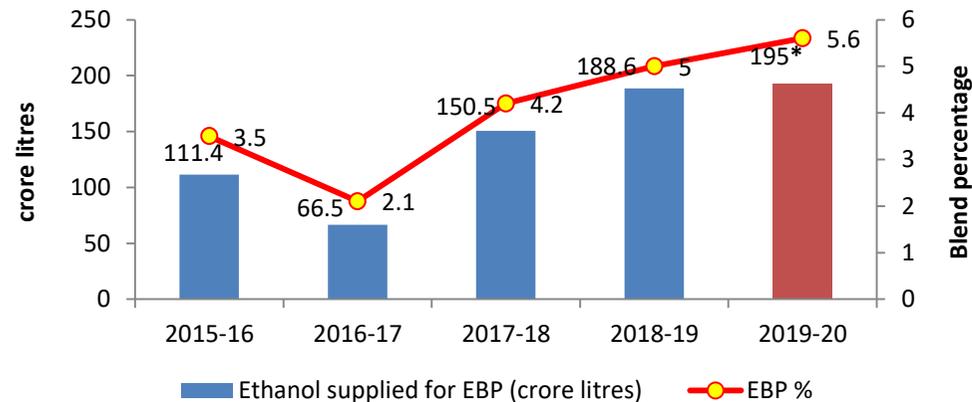
Table 1: Revision in ethanol prices (Rs./litre)

Ethanol derived from	Current price (ESY 2019-20)	Revised price (ESY 2020-21)	y-o-y % change
C heavy molasses	43.75	45.69	4.4
B heavy molasses	54.27	57.61	6.2
Sugarcane juice	59.48	62.65	5.3

Ethanol supply scenario

It can be seen from the above chart that ethanol supplies for EBP Programme have increased in each of the ethanol supply years 2015-16 to 2018-19 except for 2016-17 where it declined by 40.3% y-o-y to 67 crore litres.

Chart 1: Trend in ethanol supplies for EBP Programme for procurement by OMCs



Source: Webinar organized by Ministry of Petroleum & Natural Gas

Note: * Ethanol supply numbers for ESY 2019-20 are estimates and are contracted numbers

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Similarly, the blending percentage of ethanol with petrol has increased during 2015-16 to 2018-19 except for 2016-17. The ethanol supplies for the year 2019-20 are estimated at around 195 crore litres as this quantity is contracted so far. The EBP Programme has aims to increase ethanol blend level with petrol to 7.5%-8% by 2020-21, 10% by 2022 and 20% by 2030.

Estimated revenues from ethanol for ESY 2020-21

For the ESY 2020-21, the government of India has fixed state-wise targets of ethanol production which advises each state's sugar mills/distilleries to utilise at least 85% of their existing installed capacities to produce ethanol. Resultantly, the target fixed for ethanol supplies at all-India level is around 363 crore litres which is 85% utilisation of the existing capacities of 427 crore litres.

Table 2: Estimated revenues from ethanol for ESY 2020-21

Ethanol supply from	Ethanol (crore litres)	Price (Rs./litre)	Value (Rs. crore)
C heavy molasses	181.5	45.69	8,293
B heavy molasses	145.2	57.61	8,365
Sugarcane juice	36.3	62.65	2,274
Total	363		18,932

It is to be noted that the raw-material combination in the above table for ESY 2020-21 is based on the share of raw-materials used for ethanol supply contracts for ESY 2019-20 and considers assumption that the sugar mills at all-India level will use at least 85% of their existing capacities of 427 crore litres which is the target set by the government for them. **With this calculation it can be seen from table 2 that the estimated revenues from ethanol is expected at around Rs.18,900 crore for ESY 2020-21.**

Concluding remarks

- Considering the government target of utilising 85% of the existing ethanol production capacities to produce 363 crore litres of ethanol for EBP Programme for ESY 2020-21 and increase in ethanol prices announced by the government for 2020-21 (based on raw-material usage), the revenues from ethanol are estimated at around Rs.18,900 crore for the year which can be used by the sugar industry to reduce sugarcane arrears. However it remains to be seen how the target unfolds going ahead.
- The higher ethanol prices will encourage sugar diversion towards ethanol (which is need of the hour). This will support the sugar industry's revenues and, in turn, will result in payment of sugarcane arrears.