

India rules out easing curbs on cane juice for ethanol

Move on fears that next sugarcane crop could be same as this year or lower

The Indian government has ruled out any possibility of relaxing its restriction on sugarcane juice/syrup and B-Heavy molasses (BHM) for making ethanol. Sources pointed out that this is due to the fear of sugarcane production being the similar or less next year as flagged by some cane-growing States.

Briefing media a day after Wednesday's decision of the Centre to hike sugarcane fair and remunerative price (FRP) by ₹25/quintal for the next season (October-September), Union Food Secretary Sanjeev Chopra said, "There is no proposal to relax the restriction."

Due to a drop in production of sugarcane, the government has not permitted any sugar export, except small quantities on government-to-government diplomatic requests. The government has also capped the sucrose diversion towards ethanol at 17 lakh tonnes for the whole season, while allowing mills/distilleries to use only C-Heavy molasses in which sucrose content is almost nil.

Industry facing loss: ISMA

Sources said some mills in Maharashtra have produced ethanol out of BHM, even after government imposed the restriction, and are now requesting for some relaxation. They claim that since those bio-fuel are already produced due to their inability to make suitable changes in the distilleries at short notice to make it compliant with CHM, the government should be liberal in allowing the ethanol for sales to the oil marketing companies.

Meanwhile, industry body Indian Sugar & Bio-energy Manufacturers Association (ISMA), in a statement, said the stoppage of sugar diversion to ethanol is leading to build up of excess sugar stocks and fall in the prices to sub optimum levels causing losses to the industry.

"This can lead to delay in payments and stress to the financial arrangements with the banks. We are optimistic that the necessary policy interventions as being prayed by ISMA will be taken immediately for the current season which can lead to timely payment to the cane farmers this season," it said.

ISMA has suggested the government to buy 4-5 million tonnes (mt) of sugar every year from the industry at the minimum selling price (MSP) recommended by the Commission for Agricultural Costs and Prices (CACP) so that the industry can continue to support the ethanol blending programme (EBP) without getting impacted by any sudden policy changes.

FRP to help growers

"For the benefit of consumers and to stabilise retail sugar prices, the government can always intervene by releasing the buffer stock like pulses (dal), rice and other essential commodities," it said.

The association of private sector sugar mills also said the increase of FRP from ₹315/quintal in current season to ₹340 next season will help five crore sugarcane farmers and their family members. The increase will also help sugarcane retain its competitiveness vis-a-vis other crops – paddy and maize.

Seeking pricing of ethanol should be based on the FRP, ISMA also said the MSP should be suitably revised to about ₹3,900/quintal based on the FRP of Rs 340.

According to Girish K Kumar Kadam, senior vice-president and group head of ICRA, after the FRP hike, the cost of sugar production is likely to increase by ₹2.40/kg for the states such as Maharashtra and Karnataka which follow the FRP model.