

Soften the Grain prices with surplus Rice stock



Meeting with Shri. Gulzar N.

Joint Secretary (Policy & FCI)

Department of Food and Public Distribution

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Delegate from GEMA



1. Dr. C. K. Jain

President - GEMA cum CMD - Gulshan Polyols Ltd.

2. Ms. Arushi Jain

Joint Secretary - GEMA cum JMD - Gulshan Polyols Ltd.

Introduction to GEMA



- Grain Ethanol Manufacturer's Association (GEMA) is the representative body of Grain Ethanol Manufacturer's, working as a bridge between EBP program executers (OMCs) and manufacturers of grain ethanol.
- GEMA is represented by 73+ member units with total production capacity of more than 450.00 Cr. litres per annum ethanol.

History of Grain Ethanol



- GOI has announced its biofuel policy in order to achieve Zero Carbon Emissions and targeted to achieve 20% blending of Ethanol in petrol (EBPP) by 2025.
- Accordingly the total projected demand of Ethanol was arrived at 1000 Cr. litres per annum by 2025.
- Assessing that sugarcane/molasses based Ethanol supply will not be sufficient for the requirement of 1000 Cr. litres to meet 20% blending target.
- In 2020, GOI introduced Ethanol produced from Damaged Food Grain (DFG), Maize and surplus FCI Rice for EBPP to meet the shortfall from sugarcane/molasses based supply.
- Accordingly production of Ethanol from grain was projected to be in range of 600+ Cr. litres by 2025.

History of Grain Ethanol



Feedstock Allocation Table (in Cr. Litres)			
Feedstock	ESY 21-22	ESY 22-23	ESY 23-24
Allocation SCJ	63.85	125.57	135.05
Allocation BHM	187.54	184.17	120.66
Allocation CHM	9.78	4.92	44.31
Total Sugar Cane Based	261.17	314.66	300.02
Allocation DFG	35.17	69.09	177.10
Allocation SFG	20.67	15.86	44.77
Allocation Maize	0.00	0.00	162.80
Total Grain Based	55.83	84.96	384.67
Total	317.01	399.62	684.69
Demand	458.96	651.43	825.00

- It is evident from the table Grain Ethanol is surpassing the supplies from Sugarcane /Molasses base Ethanol supplies in ESY 23-24.
- For the zero emission mission Grain Ethanol will be Contributing a major role in GOI vision for E-20 by 2025.

Development of Grain Ethanol Industry



- For development of Grain Ethanol Industry at fastest pace GOI had given following reliefs.
 - 1) Introduced the Interest Subvention Scheme (ISS) on capex.
 - 2) Modified the Environmental Clearance Policy for quick approvals.
 - 3) Modified IDR Act in order to bring Ethanol in GST regime.
 - 4) **Assured supply of surplus FCI Rice (SFCl) at fix rate.**
- In **July 2023** the supply of SFCl rice was discontinued as feed stock for Grain Ethanol.

Development of Grain Ethanol Industry



- After announcement of Grain Ethanol policy in 2020 and reliefs, the young entrepreneurs all across the country invested to contribute in the dream project of Govt. of India to fulfill E-20 EBPP by 2025.
- Total investment in the Grain based Ethanol Industry has so far been done to the tune of ₹ 20,000 crores across India.
- Following table shows the development of Grain based Ethanol.

Grain Ethanol Development Table				
Particulars	ESY 21-22	ESY 22-23	ESY 23-24	ESY 24-25 (Projected)
Total Supply Contract of Grain Ethanol (Cr.Ltr.)	55.83	84.96	384.67	600

Impact of withdrawal of SFCI supplies



- The Grain Ethanol supply was disturbed until OMCs revised the prices of DFG & Maize Ethanol in **September 2023** and again for Maize in **January 2024**.
- The withdrawal of supply of SFCI Rice to Ethanol Industry resulted into sharp rise in all type of Grains prices including DFG & Maize across India as shown in below table:-

Price Comparison Table		
Particulars	Prices (₹) before withdrawal of SFCI Rice	Prices (₹) after withdrawal of SFCI Rice
DFG (₹/KG)	20-22	26-28
Maize (₹/KG)	19-21	24-26

- Due to sudden hike in the prices of DFG & Maize, the other users industry like Poultry and Cattle feed producers opted for using other grains which resulted into high inflation in all type of grains prices across India.

Steps to be taken to keep food as well as fuel security.



- It is understood from various publications that FCI is holding about 17 Million Tons of surplus rice, which is much excessive than country's entire year's consumptions.
- In order to soften the highly inflated prices of all type of Grains in the Indian markets, on behalf of the GEMA members, we suggest as below:

A. Surplus rice available with FCI should be consumed within the country by way of Bharat Rice.

B. Portion of surplus FCI Rice should be allotted to Grain Ethanol sector to soften the presently highly inflated Grain market in the country. This is eventually deemed exports as it is replacing the import of crude oil.

Consequent Effect of releasing the SFCI Rice for Grain Ethanol



- By releasing SFCI Rice for the Grain Ethanol Industry following is expected:
 - A. Domestic prices of all Grains will soften as supply chain will feel more availability of Grains in the market.
 - B. Grain Ethanol Program will be able to meet it's targets of 600 cr. liters supplies for 20% blending by 2025.
- The release of surplus SFCI Rice should be continued till such time when the maize crop production in the country is sufficient to support the E-20 Program through Grain Ethanol.
- In order to ease-off Grain prices, DGFT has allowed import of 5 Lakh Ton of Maize under TRQ on 26.06.2024. Which is in line of controlling the high Grain Inflation in Indian markets.

Procurement specification of Rice by FCI



- The present specification of procurement of Rice by FCI contains 25% as broken rice. Which is age-old specification.
- The modern Rice mills don't produce as much as 25% broken, whereas old millers continue as it is. The modern Rice millers buy broken rice from market to meet the specification of 25% broken. Resulting into short supply of broken rice in the market for other uses.
- If specification of procurement Rice by FCI is revised from 25% broken to 5% broken (as per the international standards) following is expected:
 - A. The quality of FCI rice will improve and at the same time the problem of surplus procurement may be addressed.
 - B. The availability of broken rice (DFG) will greatly increase in the market resulting in softening the presently highly inflated Grain Indian market as Grain Ethanol Industry is going to be the biggest buyer for broken rice (DFG), Maize hence forth.

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