

Ensuring Supplies of Grain Ethanol



Meeting with JS (R), PNG - 26th Feb, 2024
Shastri Bhawan, New Delhi

Participants from GEMA



1. Dr. C. K. Jain,
President GEMA
2. Ms. Arushi Jain,
Jt. Secretary - GEMA

Introduction



- GEMA is a representative body of various Grain Ethanol Manufacturers spread across India, with a present production capacity of 370+ crore litres per annum, which will grow up to 650+ crore litres per annum of grain ethanol by 2025.

Need for Dynamic Pricing of Grain Ethanol



- Looking at the variables involved in determining procurement price of grain ethanol, some concrete and long lasting decisions have to taken which should be based on market dynamics
- We put forward some of the suggestions for your kind considerations, so that grain ethanol industry continue to contribute its major share in EBPP at the same time welfare of the farmers.

Variables of in Grain Ethanol



- Pricing of grain ethanol is dependent on the following variables:
 - 1. Landed price of grain at plant
 - 2. Landed price of Fuel including coal and biomass
 - 3. Selling price of DDGS
- These factors change frequently, thus we have to bench mark the cut-off date which may be quarterly.

Dynamic Market Linked Pricing Mechanism



To determine price of DFG / broken rice / Maize / Fuel / DDGS, we propose the following solution:

- Appoint an independent pricing agency by OMCs. Some of the potential agency for consideration can be big four consulting firms - KPMG, PwC, EY, Deloitte or CACP under Ministry of Agriculture, GOI.
- So appointed agency, to determine price of grain, fuel, DDGS quarterly.
- The mechanism of price determination will be done by collecting (in confidence) reference CA-certified grain and fuel purchase invoices and DDGS Sale invoices for 2 weeks prior to the end of quarter from designated sample pool of grain ethanol manufacturers pan-India. The appointed agency will aggregate data from participants and determine the ongoing price.
- OMC can enforce that Ethanol producers share their purchase invoices with the pricing agency in a timely manner.
- The mechanism for calculating price of grain by the agency should be formula based and made public.
- Derived grain ethanol price for the quarter should be announced before the ensuing quarter, while it may remain same or increase or decrease.

Dynamic Market Linked Pricing Mechanism



OMC to apply the determined DFG price to conversion formula to establish quarterly grain ethanol procurement price



Appointed agency shall determine the ongoing price and share with OMC pricing committee



Pan-India Grain Ethanol producers to provide broken rice price invoice 2 weeks prior to end of quarter in confidence to appointed agency

Advantages of the mechanism:

1. It will be transparent independent assessment of the true price of input for Grain Ethanol manufacturers.
2. This mechanism can be extended to include other coarse grains.
3. It can also be applied to determine average cost of fuel for Pan-India Ethanol producers.

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