

Ethanol distilleries rework output plans as FCI halts rice supply

Some stare at temporary shutdown, others consider alternatives

SANJEEB MUKHERJEE

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With the Food Corporation of India (FCI) suddenly stopping the supply of rice for ethanol production, distilleries are trying to limit the disruption by considering alternatives, even as a few units are staring at temporary shutdowns.

BSE-listed Gulshan Polyols informed the stock exchange on Tuesday that production at its 500 kiloliters per day grain-based ethanol manufacturing plant in Chhindwara district of Madhya Pradesh would be disrupted for a few days. “However, the company has started procuring damaged food grains/rice from the open market to fulfil its commitments to a smaller extent till the time the supply of surplus rice from the FCI is restored,” the company said.

Globus Spirits, another major player in the grain-based ethanol space, informed the exchanges that it was shifting its feedstock from surplus rice to alternative raw materials such as broken rice and maize. These raw materials can be used for production of extra neutral alcohol (ENA) and ethanol.

“During this changeover process, we expect 7-10 days of disruptions at our West Bengal and Jharkhand facilities. In this period, the alternative raw material supplies are expected to begin. Our Haryana, Rajasthan and Bihar facilities remain operational as normal,” Globus said.

BCL Industries said that while it was awaiting a policy from the FCI regarding the resumption of rice supplies, it would continue to produce ENA from broken rice and maize at both of its Punjab and West Bengal units.

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PLAN B FOR SOME COMPANIES

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FCI rice that it had bought prior to the suspension, but expects a temporary disruption in the production of ethanol,” BCL told the exchanges.

Chandra K Jain, chairman-cum-managing director of Gulshan Polyols, said ethanol produced from sugarcane juice fetched a price of around ₹68 per litre, but when manufactured from damaged grains, it fetched only ₹55 a litre. This gap of ₹13 a litre was without any reason, Jain said.

Jain said that at the current price level, the purchase price of ethanol produced from maize and damaged grains should be at least ₹70 a litre. “Surprisingly, the purchase price of grain ethanol is decided by the buyer — that is OMCs themselves. Sugarcane

ethanol purchase price, on the other hand, is justifiably decided by a cabinet committee,” Jain said.

The FCI sells rice to ethanol makers at ₹20 per kg, a rate much lower than the open market sale price of ₹31 per kg.

Around 1.5 million tonnes of FCI rice is required for ethanol blending in the 2022-23 marketing year, which will end in October.

The FCI recently directed some of its divisional heads to stop the sale of rice for ethanol blending to distilleries and refund the deposited caution money.

Sources said that while the FCI hadn’t officially given any reason for its decision, the rising prices of cereals and concerns over rice production in the 2023-24 crop year could be the possible causes.