

Govt halts supply of subsidised rice to distilleries for ethanol

UNDER THE LENS. Centre assessing impact on EBP, 'begins probe into diversion of FCI rice'

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The Indian government has stopped releasing subsidised rice for the production of ethanol after it banned the export of non-basmati white rice. However, it will likely be resumed once several issues including allegations of profiteering by grain-based distilleries by diverting the grain to the open market are addressed.

On the other hand, 10-12 distilleries in Uttar Pradesh and 15-16 units in Maharashtra have stopped their operations due to non-availability of rice from the Food Corporation of India, industry sources said. But, the government is confident that there will not be any overall impact on the Ethanol Blended Petrol (EBP) programme, official sources said adding, this issue of non-availability of feed stock is temporary and will be resolved soon. The



RISING STOCKS. The FCI's supply of rice shot up to 13 lt between December and June of the current ethanol year against about 10 lt in the entire 2021-22 season AP

Centre has plans to achieve 20 per cent blending target by 2025 whereas in current ethanol year it has reached around 11.65 per cent since December 2022.

PURCHASE PRICE

The government has started an internal enquiry to find out if the allegation of diversion of FCI rice is correct, sources said. The FCI supplies "surplus" rice at ₹20/kg for ethanol. Oil marketing compan-

ies (OMCs) buy the ethanol produced from the grain at ₹58.50/litre. Ethanol produced from "damaged" rice procured from open market is purchased by OMCs at ₹55.54/litre.

The industry has been demanding an increase in the price of ethanol made from "damaged" grain, citing its rates have increased substantially after it was fixed for the 2022-23 ethanol marketing year (December-October).

The government has changed the ethanol market year from 2023 to the November-October period in place of December-November to coincide with sugarcane crushing.

FORTIFICATION PLAN

Rice available in the market for ₹16-17/kg in March-April of the 2022 increased to ₹21-22/kg in July 2023, forcing all distilleries to turn to FCI for the feedstock demand. As a result, the FCI's supply of rice shot up to about 13 lakh tonnes between December and June of the current ethanol year, as against about 10 lakh tonnes in the entire 2021-22 season, industry sources said. There is also another issue of the fortification plan getting disturbed as those selling the non-fortified rice supplied by FCI for ethanol are getting into the market. On the other hand, to compensate for the diversion, some distilleries are sourcing rice coming to market through leakage, sources said.