

# Ethanol blending to be hit this year



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**T**he country's ethanol-petrol blending programme will be hit due to lower sugarcane production in 2016-17, withdrawal of a key excise duty concession and costlier molasses.

India's cane production in the 2016-17 season (it began October 1) was 305.2 million tonnes in the first Advance Estimate, issued in September, about 13 per cent less than 2015-16, when ethanol blending was a record high of 4.5-5 per cent. This was a decade after the programme was launched, with the aim of at least five per cent blending.

In the 2016-17 sugar season, believe many, sugar mills might supply no more than 700-800 million litres of ethanol to oil marketing companies (OMCs), enough for only 2.5 per cent blending. The mills had sold 1,110 mn litres of ethanol to OMCs in

2015-16; the present target is actually 10 per cent.

After last year's performance, road transport minister Nitin Gadkari had even said the government would take ethanol blending to at least 22 per cent.

An excise duty concession granted by the government to promote the blending and to help millers whose realisations dipped due to a fall in sugar rates had pushed up the return at distilleries, leading to a surge in ethanol production.

However, with sugar production expected to be around 22 million tonnes in 2016-17, as against over 24 mt in 2015-16, retail prices have climbed. And, the Centre gradually withdrew all the concessions it had granted to the mills, as prices didn't show any sign of falling. This included the excise duty concession, which had apparently helped push distillery-gate realisation to around ₹45 a litre.

For this season, however, the Centre had lowered the administered price and directed mills to bear all inter-state duties and taxes. As a result, distillery-gate realisation for mills has dropped to ₹37-39 a litre for UP-based ones.

Along with this, the price of molasses, key input for making ethanol, has almost doubled from ₹3,500-4,000 a tonne to ₹7,000-7,500.

"Therefore, there is more pressure on sugar mills to sell within the state in the first tender floated by OMCs, rather than selling it outside," says Abinash Verma, director-general, Indian Sugar Mills Association.

He said so far around 660 mn litres of ethanol had been contracted for sale to OMCs; November and December are the peak months for doing so. The Association estimates the total the mills could supply to OMCs this year for blending at 700-800 mn litres at best, almost 40 per cent less than in 2015-16.