

FCI may sell broken rice for biodiesel

Move to dispose of 1.5 mt of broken rice will partly address concerns of grain-based distillery capacities remaining idle

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The government could direct Food Corporation of India (FCI) to dispose of around 1.5 million tonnes (mt) of broken rice unfit for human consumption, as feedstock for grain-based biofuel units.

The measure will compensate for the projected drop in sugarcane production due to drought and excessive rain, and prove a milestone in the country's food-for-fuel policy.

Sources said the step would have a twofold impact. First, it will address the concerns of approximately 750 million litres of grain-based distillery capacities lying idle due to lack of feedstock, to some extent. Second, this will absorb some of the surplus rice with FCI, estimated to be three times the required 21.27 mt, as of December 2019.

The total capacity of grain-based distilleries in the country is around 2 billion litres, of which around 38 per cent (750 million litres) is unused due to lack of feedstock.

Officials said disposal would be strictly monitored to ensure only broken rice which is fully unfit for human consumption would be used for biodiesel.

This will allay any misconception that food is wasted for fuel when millions of children in the country remain malnourished.

Officials said a formal tender and policy announcement in this regard

were expected very soon. The Union Cabinet could be approached if needed. To ensure grain-based biodiesel units get the rice at an appropriate rate, officials said a consensus seems to be building on selling the same at ₹22-23 a kg.

This is lower than the current estimated cost of such unused rice stocks estimated at ₹27 a kg. Oil marketing companies (OMCs) are being convinced to purchase ethanol produced from broken rice at ₹59.48 per litre.

This is higher than the current rate fixed for ethanol produced from damaged grain unfit for human consumption, so that grain-based distillery units get some return.

The present rate for ethanol derived from damaged foodgrains unfit for human consumption (supply year December 1, 2019 to November 30, 2020) is ₹47.63 per litre.

These prices are being talked about because grain-based distillery units say ₹47.63 per litre was good when rice prices were low.

Now, when rice prices in the open market and also that being sold by FCI through open tenders have gone up due to persistent increase in the minimum support price (MSP), ₹47.63 per litre is not remunerative enough.

This is one reason why 750 mil-

FOOD FOR FUEL

5.11 bn litres: Ethanol required by OMCs in FY20

1.66 bn litres: Supplies assured in first tender (sugarcane + grain)

2 bn litres: Capacity of grain-based ethanol units

750 mn litres: Unused capacity due to lack of feedstock

21.27 mt: Rice stocks with FCI in central pool (as of December 11)

7.61 mt: Rice required in central pool (as of January each year)



lion litres of grain-based distillery capacity is unused.

Distillers want the price of broken rice supplied from FCI godowns

at ₹22-23 per kg, while OMCs purchase the ethanol produced from this grain at a rate higher than the current price. The government, officials said, is seriously considering both suggestions, as it wants to kick-start the 10 per cent ethanol blending programme in right earnest, which, as the current year has shown, can't rely only on sugarcane. This year, as against the requirement of 5.11 billion litres of ethanol, sugar mills and grain-based distilleries together submitted bids for 1.63 billion litres in 2019-20 (December-November).

This has put a question mark on the government's ambitious plans for 10 per cent blending by 2020. Officials said another problem before the programme is to map the

warehouses where FCI has surplus grain and where surplus grain-based distillery capacities are located, so that transportation costs are less. The Centre has started working with states to search for areas where rice production is in surplus after providing for PDS operations and link it with distilleries nearby.

Chhattisgarh has started working on the proposal. The Bhupesh Baghel government floated a tender in October after estimating Chhattisgarh had 3.8 mt of surplus rice in 2018-19, after meeting the PDS requirement.

The surplus rice can be used for

grain-based ethanol. The tender is for setting up of new bio-refineries.

Baghel in November had asked Petroleum Minister Dharmendra Pradhan to allow states that have extra rice to make biofuel.

Allaying fears of any future shortfall in feedstock for grain-based ethanol plants, officials said according to their estimates, around 14 per cent of the cereals (rice+wheat) or around 50 mt produced in the country is left surplus every year.

After two years, these surplus food items turn out to be waste and rotten, unfit for consumption by humans in their current form.

Meanwhile, the petroleum ministry has asked Indian Oil Corporation, Hindustan Petroleum Corporation and Bharat Petroleum Corporation to speed up plans to come up with 12 second-generation ethanol manufacturing units, based on non-sugarcane sources.

"By December 2020, five of these plants at Dahej, Bargar, Panipat, Bathinda and Bina will be commissioned," an official said.

Alternatively, existing cane-based ethanol manufacturing units are being encouraged to convert their distilleries into multimodal plants. These plants can make ethanol from both grains and sugarcane.

However, officials said such sugar plants need to invest ₹15-20 crore more to convert their existing sugarcane-based units into that can use grain also as feedstock.

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