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Make Ethanol Directly From Sugarcane Juice

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Recently, the government has notified a decision to allow sugar mills to manufacture ethanol directly from sugarcane juice or an intermediate product called B-molasses.

- The move would help mills divert cane juice for ethanol manufacturing during surplus years.
- Sugar mills are incurring losses as prices of sugar have fallen below the production cost because of surplus production i.e. the supply is more than the demand (32 million tonnes produced in 2017-18 season as compared to the annual domestic demand of 25 million tonnes).
- According to Indian Sugar Mills Association (ISMA), the losses currently stand at Rs 63 per quintal, based on the Rangarajan panel's linkage formula.

Note: The Rangarajan Committee linkage formula, based on revenue-sharing, determines cane prices at 70 percent of revenue generated by sugar and by-product sales or 75 per cent from sugar alone, with 5 percent weightage given to by-products.

- At present, ethanol is allowed to be made only of C-heavy molasses, a cane by-product that has no sugar content left in it. Whereas, the B-heavy molasses and sugarcane juice have some sucrose content left in them for sugar production.
- The sugarcane control order of 1966 has been amended in this regard and the same has been notified by the Union Food Ministry.
- The move follows the government's decision to make available subsidised loans of Rs 4,440 crores to sugar mills to create additional ethanol capacity.
- Oil marketing companies (OMCs) procure ethanol from sugar mills for blending with petrol. India, which is over 80 per cent dependent on imports to meet its oil needs, has mandated blending of up to 10 per cent ethanol in petrol but inadequate availability has restricted this to less than 4 per cent.

Impact of the Decision

- The move will enable mills to trim surplus sugar output (in times of excessive cane supplies) by diverting a portion of B-heavy molasses for ethanol production, without further extracting sugar out of it, so that prices of the sweetener don't crash unreasonably.
- In June, the government has fixed the price of ethanol produced from intermediary or B-molasses at Rs 47.49 per litre for the marketing year starting December 2018.
- The price of ethanol produced from C-molasses has been raised by Rs 3 per litre to Rs 43.70 per litre. Therefore, a higher price for ethanol will incentivise higher ethanol production.