

BiofuelCircle Market Insights October 2024

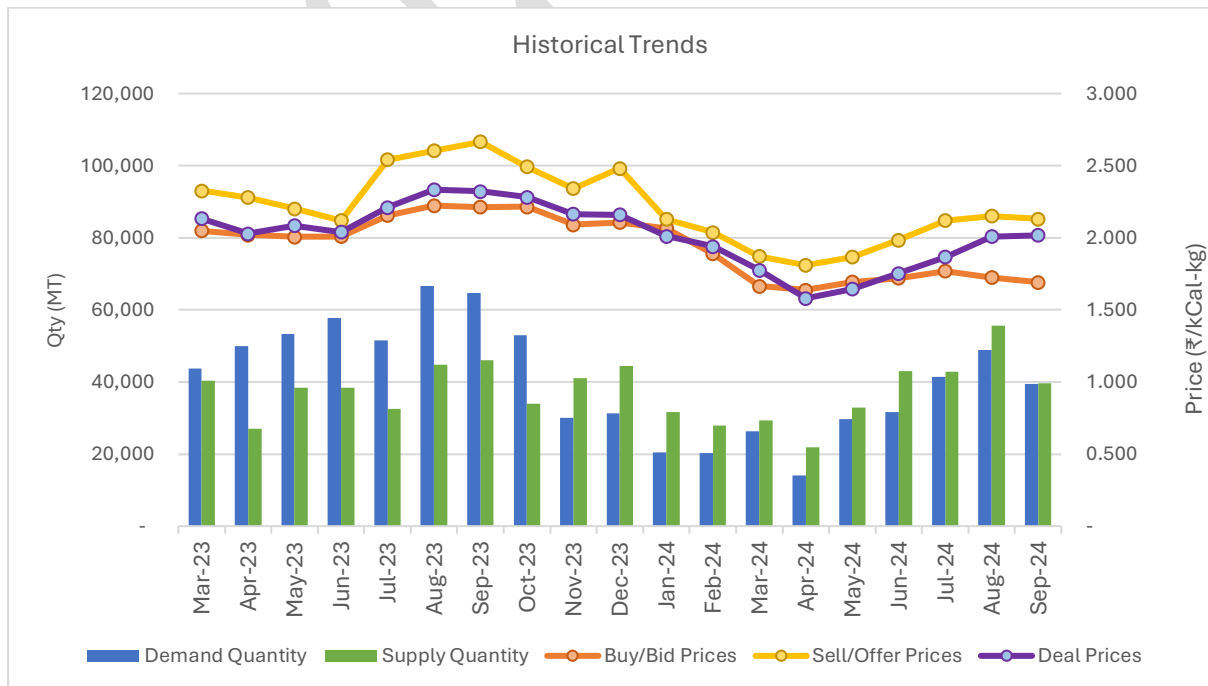
From the Editor's Desk: signs point to a fall

Offers, Bids, Deal prices and forward market volumes in September 2024 are pointing to a fall in prices in the months to follow.

The weighted average price in the last month was marginally higher than the month before. Standard briquettes made a comeback, in form of multiple agri-residues mixed together, due to limited availability. The IMD confirmed a delay in withdrawal of the southwest monsoon, with most parts of the country experiencing excess rainfall over long term historical averages. Volumes and prices for forward months indicate both buyers and sellers adopting a wait and watch approach, looking to direction from the harvest. When buyers start deferring purchases, and seller lower their expectations, there is only direction the price will go.

Read on to know more.

Past Trends: Briquette Prices



This chart shows the pan-India trend on the BiofuelCircle platform, for weighted average delivered prices of Biomass Briquettes, converted to Rs per Kcal-kg over the past months, along with the availability & demand from our subscribers. Weighted average is calculated using quantity sought/ offered/ deals done, averaged over a month.

Buy/Bid prices (orange line) are expectations of Buyers (delivered basis). Sell/ Offer prices (yellow line) are based on responses and sells published by Sellers (again delivered basis). And finally, the Deal prices (purple line) are for deals concluded after platform-based negotiations between Buyers & Sellers. Demand (blue bars) is the total Buy quantity the month, and Supply (green bars) is the total quantity Offered by Sellers for that month.

The rise in prices of Briquettes seems to have been arrested in September. The weighted average price of deals done in Sep 2024 was ₹2.02 per Kcal-kg, more or less the same level as Aug 2024 at ₹2.01. To be precise, this is marginally 0.5% more than the previous month and 28% higher than the lowest level of the year, as seen in Apr 2024.

We reported that in Aug 2024 the share of Premium briquettes (GCV > 3800, Ash < 8%) in all deals done, was the highest seen on the platform in the last one year. This high was crossed in Sep 2024 with Premium briquettes at 76% share, a record since we started tracking this data. The mix of Superior briquettes (GCV ~ 3400 to 3800, Ash ~ 8 to 12%) saw a remarkable drop from 26% in Aug to 5% in Sep 2024. And Standard briquettes (GCV < 3400, Ash > 12%) made comeback, at 19% of all deals done in Sep. Deals for Standard briquettes last month largely comprised of commodity mixtures, with manufacturers blending multiple residues where the final properties (GCV & Ash) matched this grade.

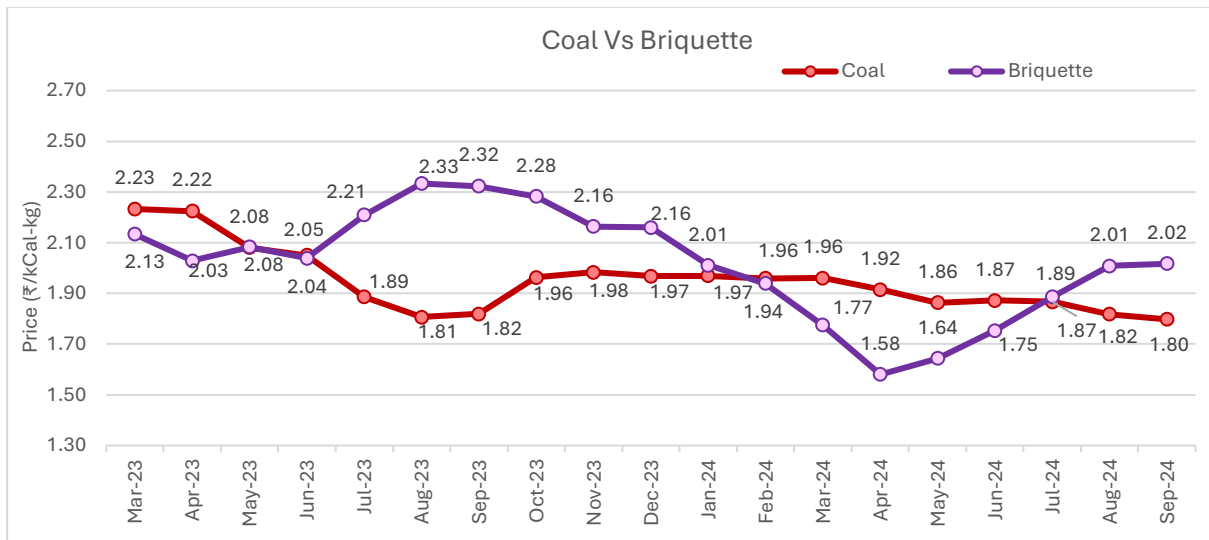
The weighted average prices of Premium briquettes rose 2% over Aug, to ₹2.07 per Kcal-kg in Sep. In contrast, prices of Standard briquettes fell from ₹1.94 per Kcal-kg in Aug to ₹1.83, down 5.5%. And Superior briquettes also fell 2% to about ₹1.96 per Kcal-kg in Sep 2024. While prices of two grades retreated, because Premium briquettes formed three-fourths of all deals done, the weighted average price for all grades taken together shows a marginal increase of 0.5% for the month.

The spread between Buyer and Seller expectations showed further divergence in Sep 2024. Seller expectations at ₹2.13 per Kcal-kg were a bit lower than the previous month at ₹2.15. But Buyers went even lower in Sep, seeking ₹1.69 per Kcal-kg, markedly down from ₹1.73 in Aug. Demand and Supply were almost equal, though lower than Aug. Since deal prices were nearly flat, one can say that the deal levels are closer than ever to Sellers' demand. But the sub-plot is that Sellers seem to have come up with clever mixtures of Standard briquettes, which kept prices in check.

All taken together, these point to prices tending to be lower.

Price Comparison

The chart below compares the weighted average delivered prices of Biomass Briquettes to those of imported coal (GCV 3400 GAR). We call the difference between these prices as the 'spread.' Coal prices in this chart (maroon line) are sourced from market publications, for Indonesian origin coal (3400 GAR), imported at Kandla and delivered on average 300 km inland. Briquette prices (purple line) are based on deals done on the platform. Both are converted to GCV basis, for meaningful comparison.



Prices of imported 3400 GAR coal dropped slightly to ₹1.80 per kCal-kg, the lowest in eighteen months and marginally below the ₹1.81 level of Aug 2023. Consequently, the spread between weighted average price of coal and briquettes widened to 12%. Domestic briquettes continued to remain more expensive than equivalent imported coal in Sep 2024.

In energy terms 3400 GAR imported coal at ₹1.80 is still cheaper than Standard briquettes at ₹1.83, but only just.

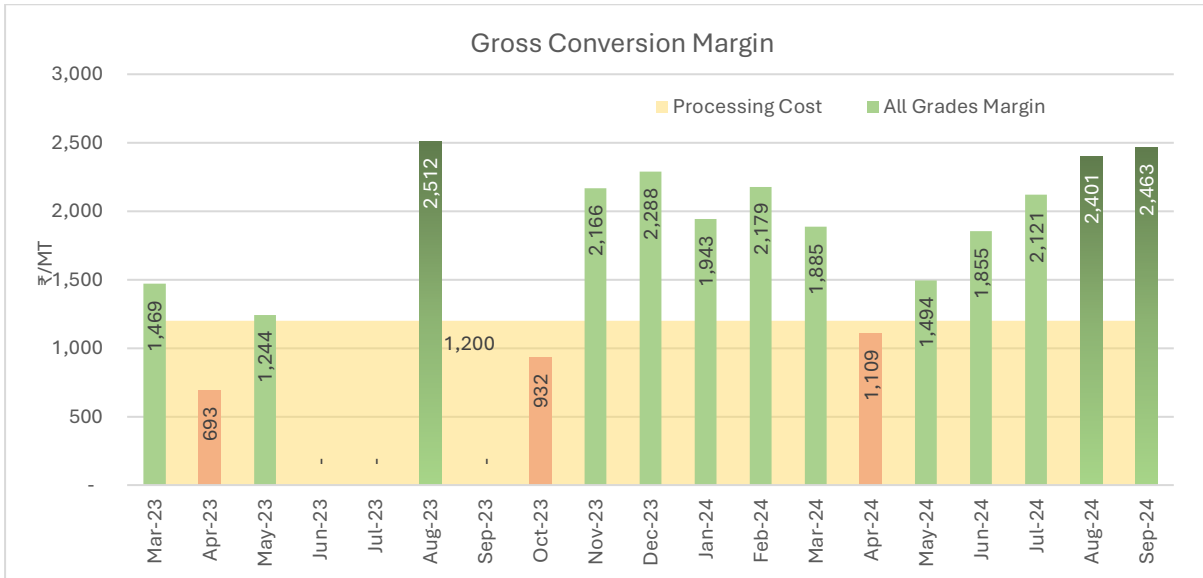
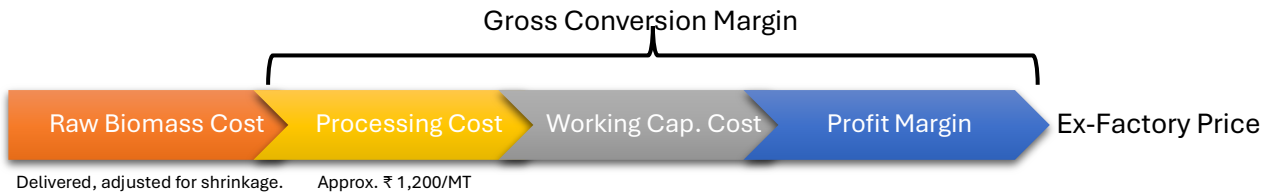
Demand for imported coal into India was tepid in Sep 2024. Continued rains in parts of the country saw lower industrial demand for electricity from thermal power plants. Lower international steel prices in the month, also put pressure on price of coal, a key input to cost of steel. In the international markets, though coal prices saw an uptick towards end Sep 2024, due to fears of supply disruption from escalating conflict in the Middle East.

In Sep 2024, demand for electricity in India was marginally 0.3% lower than the same month last year. Twenty key states and Union Territories in India, which account for three-fourths of power demand, received 37% above-normal rainfall in September. Lower overall demand for power, coupled with rising hydel power generation, led to lower demand on thermal power stations, which in turn has affected demand for coal. We continue to maintain a bearish outlook for imported coal into India for October.

Past Trends: Gross Conversion Margin

This chart shows the pan-India trend on the BiofuelCircle platform, of the difference between weighted average ex-factory price of Briquettes and weighted average delivered prices of Raw Biomass, converted to Rs per Kcal-kg over the past months. Weighted average is calculated using quantity sought/ offered/ deals done, averaged over a month. This chart excludes commodities such as paddy straw, which are directly used for conversion to biogas or bioethanol.

To assess the inherent value of briquettes, we have compared the delivered price of raw biomass, with the ex-factory price of briquettes. Raw biomass prices have also been adjusted for expected shrinkage across various inputs. The difference represents the GCM (Gross Conversion Margin), which includes the processor's cost of conversion, inventory holding cost, and a profit margin. We have tried to benchmark this against an average processing cost of ₹ 1,200/MT (approx. ₹0.34 per kCal-kg) as represented by the shaded region in the graph below. On top of this will be the cost of working capital, which varies from processor to processor.

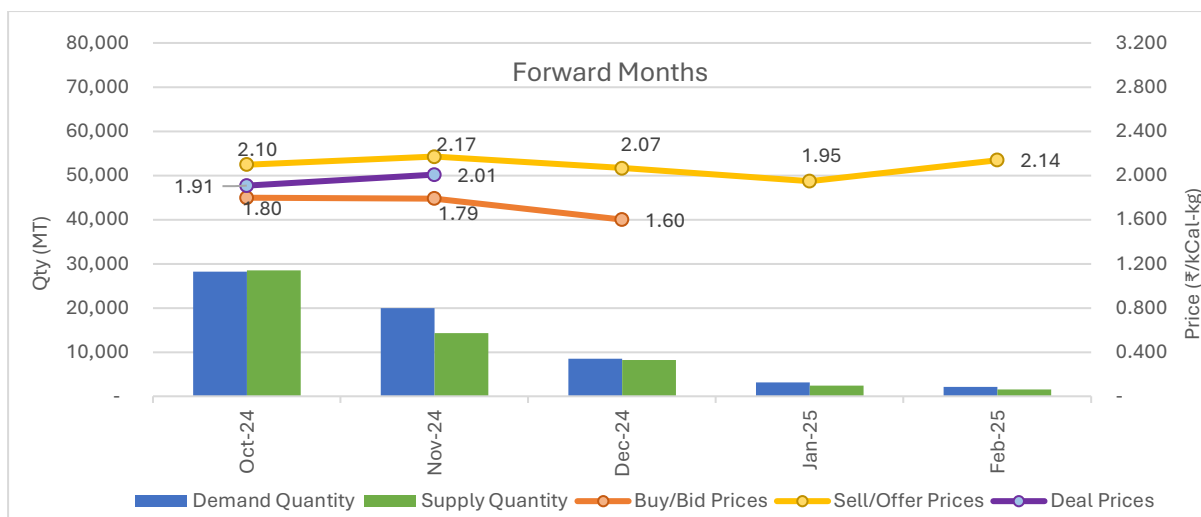


The average Gross Conversion Margin for all grades stayed high at ₹2,463 per MT in Sep 2024, but still under the peak value of ₹2,512 last August. At 34% of landed cost of briquettes, the GCM remained at comfortable or better levels. This was driven by mix of deals across briquette grades in September (dominated by Premium grades at one end and Standard at the other). The change over Aug 2024 is thus nominal. Adjusted for benchmark average processing cost of ₹1,200, the net realisation for a typical briquette manufacturer remains around the same as last month, at 17%.

Briquette makers around BiofuelCircle's Biomass Bank warehouses had access to Cotton Stalk (Standard grade), which helped provided a fixed and predictable price for the feedstock. Manufactures now eagerly await the October harvest for fresh feedstocks.

Forward Months: Briquette Prices

The prices (for Buys/ Bids, Sells/ Offers & Deals), as well as demand & supply quantities in the chart below are for delivery of biomass briquettes in the months to come.



Deals for near month delivery (Oct) happened below the levels (weighted average) for September, clearing indicating that both buyers and sellers expect prices to soften. Deal volumes are lower, which is reflective of a wait and watch approach. There were also no deals for delivery beyond November, further pointing to an impending downward trend in prices. Compared to last month, Seller expectations were also lower for months beyond October. Moreover, Buyers have dropped their expectations even further, between ₹1.80 to ₹1.60 per Kcal-kg. The volumes in the forward month indicate that interest from both Buyers and Sellers is much lower from November onwards. It is expected that once fresh agri-residue feedstock from the harvest is available in the second half of October, participants will return to the market and provide price direction as well.

The Indian Meteorological Department indicated that the withdrawal of monsoon was delayed by a week to last week of September. Already the cumulative rainfall through Sep 2024 was 5% above the fifty-year average (long-period average or LPA), with central and southern India seeing 15% excess rain above the LPA. The consequent flooding and water logging has led to instances of crop damage, and delays to start of Kharif harvest. There is fear of lower agricultural output due to these events, but at the same time overall storage levels in dams & water reservoirs are much better and bode well for Rabi crops.

Introducing BiofuelCircle Benchmark Prices

A lot of feedback from the industry, on our market data newsletter, has centred on what is fair & reliable price for solid biofuels (biomass briquettes & pellets). Starting this month, we are introducing **BiofuelCircle Benchmark prices**: a ground-up calculation to reflect fair value proposition for both buyers and sellers to drive sustained production and usage of biofuels.

Biomass feedstock, briquettes, pellets are all traded in volume on the BiofuelCircle platform. Through direct access to participants (buyers & sellers), and its own internal research, the platform has access to cost elements such transport, storage, working capital, labour, seasonal variations, etc. Taken together, BiofuelCircle's analysts have computed a range of prices that can provide stable margins to sellers, and at the same time are competitive for buyers.

Standard Briquettes

(GCV < 3400, Ash > 12%), ₹per Kcal-kg

Region		Oct-24	Nov-24	Dec-24
Maharashtra	Bid/Buy	1.58	1.59	1.60
	Sell/Offer	1.61	1.62	1.63
Gujarat	Bid/Buy	1.27	1.27	1.28
	Sell/Offer	1.30	1.30	1.31
Punjab/ Haryana	Bid/Buy	1.89	1.93	1.97
	Sell/Offer	1.92	1.96	2.00

Superior Briquettes

(GCV ~ 3400 to 3800, Ash ~ 8 to 12%), ₹per Kcal-kg

Region		Oct-24	Nov-24	Dec-24
Maharashtra	Bid/Buy	1.93	1.94	1.95
	Sell/Offer	1.96	1.97	1.98

Premium Briquettes

(GCV > 3800, Ash < 8%), ₹per Kcal-kg

Region		Oct-24	Nov-24	Dec-24
Maharashtra	Bid/Buy	2.25	2.26	2.27
	Sell/Offer	2.28	2.29	2.30
Gujarat	Bid/Buy	2.15	2.15	2.15
	Sell/Offer	2.17	2.17	2.18
Punjab/ Haryana	Bid/Buy	2.49	2.52	2.55
	Sell/Offer	2.51	2.55	2.58
Tamil Nadu	Bid/Buy	2.39	2.40	2.41
	Sell/Offer	2.42	2.43	2.44

We welcome feedback and dialogue on the BiofuelCircle Benchmark prices. More granular data, based on place of supply or demand is available for registered users of the platform. Reach out to with [your BiofuelCircle representative](#) to know more.

In Conclusion

All signs are now pointing to an imminent reversal in the trend of rising briquette prices for October. Buyers are negotiating harder, with progressively lower price expectations. And while Sellers do get deals closer to their asking prices, it's because they have lowered their asks as well. Limited participation volumes for future delivery into October, November and beyond also indicate a tendency of deferred procurement in the anticipation of lower prices.

Last month we expected deal mix to prefer Premium and Superior briquettes – it swung heavily in favour of Premium but drop in share of Superior briquettes. These were replaced by multi-commodity mixtures which give GCV & Ash values in the Standard grade range. September, the Monday of all months has come and gone. Unless the monsoon decides to stay back longer, October should see volumes rising, and prices going lower.

Are you a consumer of briquettes or pellets? Log in to the platform to get a quotation. Or connect with [your BiofuelCircle representative](#) for a long term supply contract with predictable prices.

If you are a Briquette/ Pellet manufacturer, have you checked availability of biomass residue on the platform? [Get in touch with your BiofuelCircle representative](#) to know how Biomass Banks can bring reliability in your feedstock.

Disclaimer: This data is based on deals published and concluded on the BiofuelCircle platform during the period specified. The information contained is merely a guidance and not to be considered as an advisory for trading. The contents do not constitute professional advice or provision of any kind of services and should not be relied upon as such. BiofuelCircle does not make any recommendations and assumes no responsibility for any transaction/trading in commodities done based on the information given in the document and any such commitment/trade is subject to market and commercial risks for which BiofuelCircle shall not be responsible.

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