

BiofuelCircle Market Insights November 2024

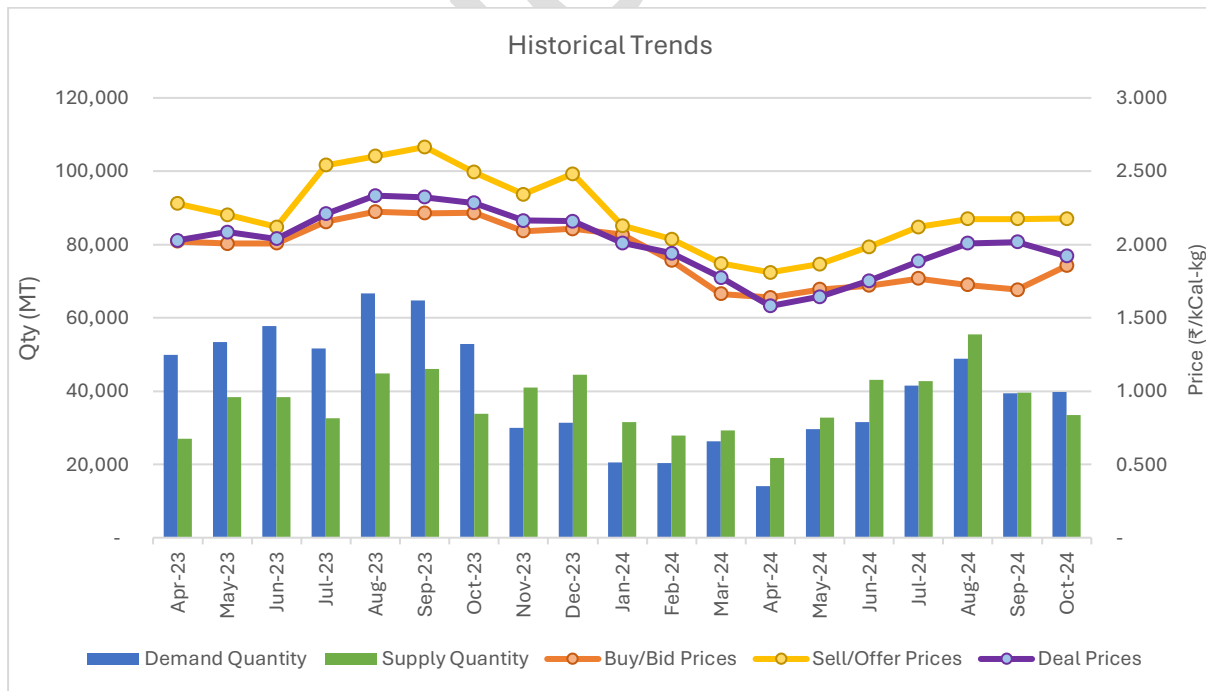
From the Editor's Desk: compressing spreads

The coal vs briquette spread, the bid vs offer spread for briquettes, both narrowed last month. In an interesting reversal of trend Buyers' Bid prices were 10% higher than last month, but that led to weighted average Deal prices falling 5% in October, to below ₹2 per Kcal-kg for the first time since July.

While the monsoon has withdrawn completely, last month was the warmest October on record for decades. Volumes returned to the market for October and November, but December and beyond saw limited participation, with Buyers especially preferring to wait out before committing any prices beyond the current quarter. Buyers would return in Nov- Dec, looking for long term supply contracts based on how the harvest volumes drive pricing.

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.

Briquettes prices finally turned around in October after an upward march of five months. At ₹1.92 per Kcal-kg, the weighted average price of deals done in Oct 2024 was almost 5% lower than Sep 2024 at ₹2.01. More importantly, the level is below the ₹2 level, a kind of psychological mark that many participants seem to track. The October average is almost similar to the level (₹1.94) seen in February this year.

The commodity mix also saw changes this month: as feedstock started becoming available, Standard briquettes (GCV < 3400, Ash > 12%) doubled to 40% of all briquettes sold on the platform. Even Superior briquettes (GCV ~ 3400 to 3800, Ash ~ 8 to 12%) doubled from 5% in last month to 10% in Oct 2024. The share of Premium briquettes (GCV > 3800, Ash < 8%) dropped by a third, from a record high of 76% in Sep 2024 to 50% in October: still the largest segment preferred by buyers on the platform. Like last month, deals for Standard briquettes involved blended commodity mixtures. Under Standard grade, the platform also saw volumes for briquettes made from mustard, coriander stalk and some early arrivals of corn cob.

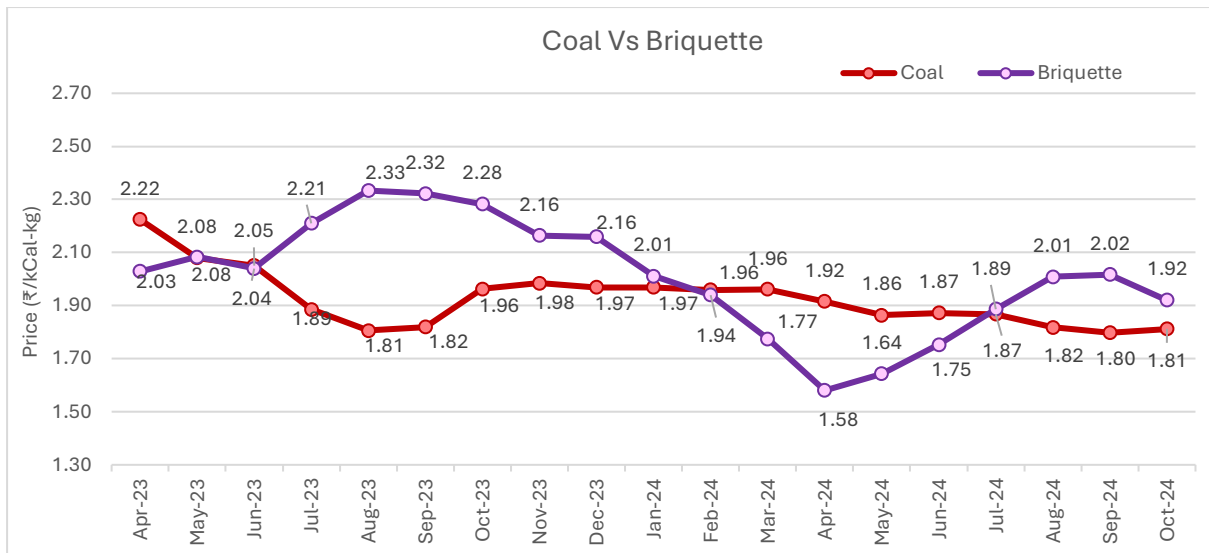
The weighted average price of Premium briquettes saw a marginal drop from ₹2.07 to ₹2.04 per Kcal-kg. Superior grades actually rose 6% to ₹2.08 per Kcal-kg – yet another month where Superior briquettes (on average) have been more expensive than Premium briquettes. The big difference was Standard briquettes which fell 6% from ₹1.83 per Kcal-kg in Sep to ₹1.72. Since the share of Superior briquettes was the smallest at 10%, the overall weighted average price in October was lower by about 5%.

The spread between Buyer and Seller expectations has started to compress in Oct 2024. Seller expectations at ₹2.17 per Kcal-kg were slightly higher than Sep at ₹2.13. But interestingly, Buyers rose to meet the Sellers, willing to pay as much as ₹1.92 per Kcal-kg, up almost 10% by ₹0.16. And when Buyers took a few steps closer to meet the Sellers, Sellers responded by agreeing to prices on average, even closer to the Buyers' expectations. The weighted average closing price for all deals in October is just 6 paise above the average bid price of Buyers.

Demand in October was unchanged from September, but Supply fell short. Lower deal prices in Oct 24 over Sep seems contrary to the demand vs supply balance, but the difference is not significant to make an impact.

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.



In energy terms, the spread between weighted average price of coal and briquettes halved to 6% in Oct 2024 from 12% in the previous month. It is obvious the drop was due to drop in briquette prices.

Briquettes in India (on average) are still more expensive than equivalent imported coal: 3400 GAR coal remained practically flat across Sep- Oct at ₹1.81 per kCal-kg. But the big change in Oct was Standard briquettes at ₹1.72 were cheaper than 3400 GAR imported coal. Could this be a signal for briquette prices overall to trend lower from now on?

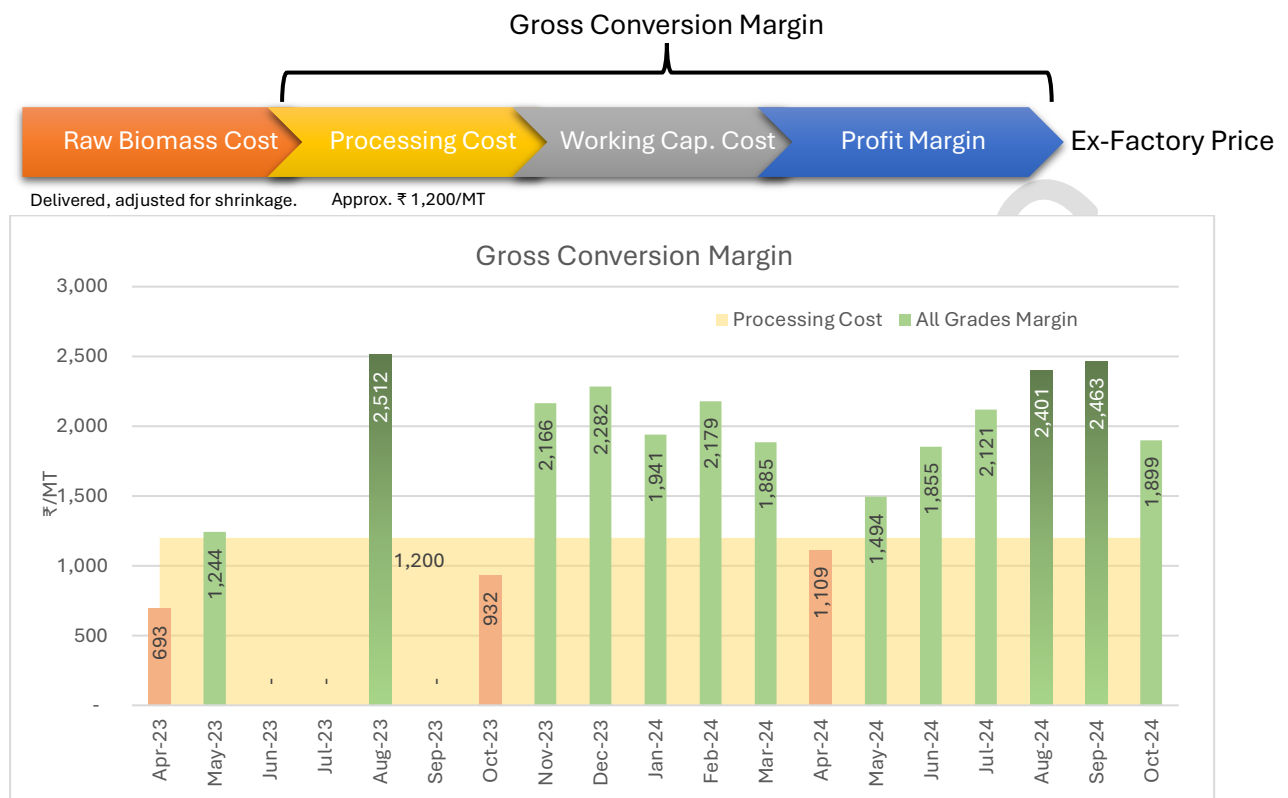
We predicted a bearish outlook for coal into India during October: this played out as expected. Global coal markets also remain subdued, with lower demand from major importers of coal. In India, demand from the power sector was met by domestic production, and the expected increase in demand post-Diwali did not materialise.

From climate data, Oct 2024 was the warmest October in India for many decades. The IMD officially declared that the south-west monsoon has withdrawn from the country. After two consecutive months of negative year-on-year growth, the demand for power in October this year was marginally 1% above the same month last year. The government has ordered coal-fired power plants to operate a full capacity until 31 December, and maintain adequate stock of coal by importing if required. The average inventory at coal-fired power plants at end of October was 11.6 days as compared to 12.1 days in end September. We expect a resumption of import demand if domestic production fails to catch up, but it may not translate into significant increase in imported coal prices.

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.

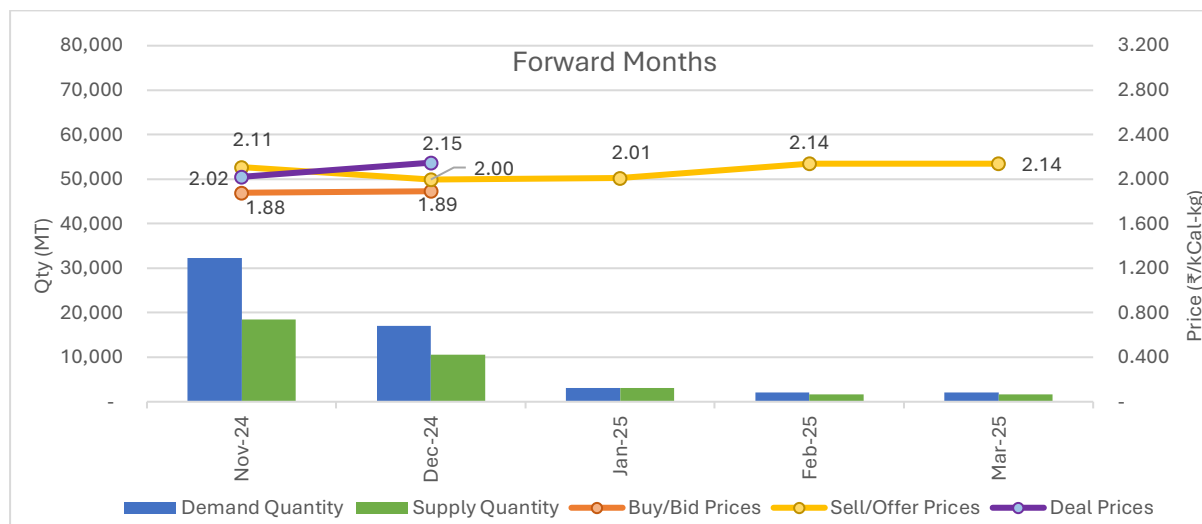
To assess the inherent value of briquettes, we have compared the delivered price of raw biomass, with the ex-factory price of briquettes. Raw biomass prices have also been adjusted for expected shrinkage across various inputs. The difference represents the GCM (Gross Conversion Margin), which includes 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.



As the average price of briquettes fell, the Gross Conversion Margin (GCM) for all grades dropped over ₹560 to ₹1,899 per MT. This is still a margin for processors, at 27% of the landed cost of briquettes on average. But the next realisation is squeezed if we take out the average processing cost. GCM for Standard briquettes has remained steady over the last three months, in the ₹1,300 to 1,400 per MT range. Premium briquettes were most affected in October, with their average GCM being comparable to Standard briquettes. Superior briquettes were marginally expensive than Premium briquettes, while corresponding feedstock for Superior was cheaper than Premium. Thus the GCM for Superior briquettes was higher, in the ₹1,800 to 2,000 per MT range. As fresh feedstock from the harvest starts to come in, we expect a period of stable GCM for the Oct- Dec quarter.

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.



There is demand for near month (Nov) delivery, though supply hasn't caught up yet. And beyond Dec there is very limited participation. The wait and watch approach was more pronounced for Standard briquettes, with hardly any deals for future month delivery. Consequently, deals for Nov & Dec 2024 were dominated by Premium and Superior briquettes, which reflects in a higher weighted average price over all (₹2.02 and ₹2.15 per Kcal-kg for Nov and Dec 2024) as compared to October.

The weighted average price for Dec 2024 is a bit of an anomaly, showing up above the average Offer level. This is because the value is dominated by few Groundnut Shell (Premium) briquette deals that includes storage, while most sellers in Dec have offered Superior & Premium briquettes are levels lower than Oct and Nov 2024. For Jan 2025 and beyond, Buyers were unwilling to make an bids, and Sellers have yet updated their price expectations from the previous months. Fresh agri-residue feedstock has started arriving at manufacturing plants in late October and will continue into November. We expect Nov 2024 prices will provide price direction to Sellers to offer quantities for sale into December and beyond. November and December are also the times when large Buyers start looking for long term contracts, largely based on harvest / feedstock availability data.

BiofuelCircle Benchmark Prices

Last month we introduced **BiofuelCircle Benchmark Prices**, as a ground-up calculation to reflect fair value proposition for both buyers and sellers to drive sustained production and usage of biofuels. We continue with publishing these prices for reference.

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		Nov-24	Dec-24	Jan-25
Maharashtra	Bid/Buy	1.59	1.60	1.59
	Sell/Offer	1.62	1.63	1.62
Gujarat	Bid/Buy	1.27	1.28	1.27
	Sell/Offer	1.30	1.31	1.30
Punjab/ Haryana	Bid/Buy	1.06	1.07	2.15
	Sell/Offer	1.08	1.08	2.18
Tamil Nadu	Bid/Buy	2.11	2.12	2.12
	Sell/Offer	2.14	2.14	2.15

Superior Briquettes

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

Region		Nov-24	Dec-24	Jan-25
Maharashtra	Bid/Buy	1.94	1.95	1.94
	Sell/Offer	1.97	1.98	1.97

Premium Briquettes

(GCV > 3800, Ash < 8%), ₹per Kcal-kg

Region		Nov-24	Dec-24	Jan-25
Maharashtra	Bid/Buy	2.26	2.27	2.26
	Sell/Offer	2.29	2.30	2.29
Gujarat	Bid/Buy	2.15	2.15	2.15
	Sell/Offer	2.17	2.18	2.18
Punjab/ Haryana	Bid/Buy	2.35	2.36	2.37
	Sell/Offer	2.37	2.38	2.39
Tamil Nadu	Bid/Buy	2.40	2.41	2.42
	Sell/Offer	2.43	2.44	2.45

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

The expected fall in briquette prices happened in October. Sellers were more than willing to negotiate, and with Buyers increasing the price they were willing to pay, brought deal prices closer to Buyer expectations. November and December saw some participants closing deals but there is no interest to conclude deals at current levels for Jan 2025 and beyond.

Standard briquettes made a comeback this month making up 40% of all deals done. The share of Superior briquettes also improved to 10%. These increases are at the cost of Premium briquettes in the overall mix, but Premium still held half market in October. We expect Premium briquettes to hold ground in this quarter, until sugarcane waste & cotton stock start becoming available towards the end of the year. We also expect Coal prices to increase marginally, further narrowing the spread with briquettes, as briquettes are likely to trend lower in November.

Are you a consumer of briquettes or pellets? This is good time to lock in long term deals. Connect with [your BiofuelCircle representative](#) for a term supply contract with predictable prices. Or log in to the platform to get a quotation.

If you are a Briquette/ Pellet manufacturer, have you checked availability of biomass residue on the platform? As feedstock starts becoming available [Get in touch with your BiofuelCircle representative](#) for attractive terms on raw material finance.

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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