

BiofuelCircle Market Insights

February 2025

From the Editor's Desk: the direction is clear

January 2025 was the world's warmest January on record. A stark reminder that climate change could be accelerating. Buyers using the platform to source solid and liquid biofuels, are doing their bit to contribute towards sustainability!

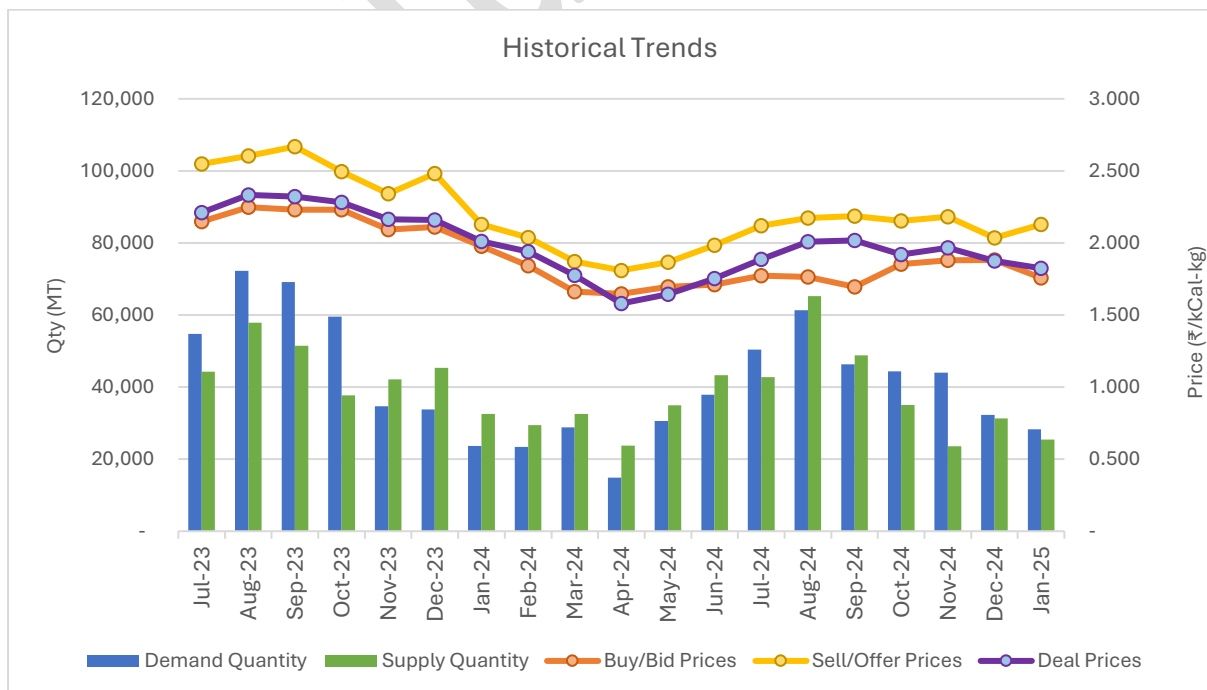
Last month was also a month of contrasts. A wider bid-ask spread was reflective of attempts to hold on to high prices. But despite that, everyone including Sellers seem to converge on where prices of briquettes are headed. Lower every month.

Coal prices too are lower, and so much so, that Standard briquettes at ₹1.75 per Kcal-kg were priced just above coal. Margins in January were lower, but at reasonable levels. Could history repeat in just a year when the coal vs briquette spread flipped?

February 2025 looks like a month to watch out for!

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 weighted average price of Briquettes continued to fall in Jan 2025, entirely due to change in the commodity mix. Deals happened in January at ₹1.825 per Kcal-kg, a marginal fall of 5 paise as compared to the previous month.

Standard briquettes (GCV < 3400, Ash > 12%) roared into prominence, grabbing a share of 73% of deals done in Jan 2025, close to the pre-monsoon levels. With access to fresh feedstock, Standard briquettes have been on the march from a low of 12% back in Aug 2024, to 23% in Nov 2024, more than doubling to 52% in December. Obviously, this share of the market has come at the cost of other grades: Premium briquettes (GCV > 3800, Ash < 8%) halved once again from 36% in Dec 2024 to 18% of the mix in Jan 2025. Superior briquettes (GCV ~ 3400 to 3800, Ash ~ 8 to 12%) also fell out of favour with buyers, falling to 9% in Dec 2024. The change is not unexpected: Standard briquettes mostly use agricultural residues from the Kharif harvest. At the end of the season, availability of residue increases and share of Standard grade increases.

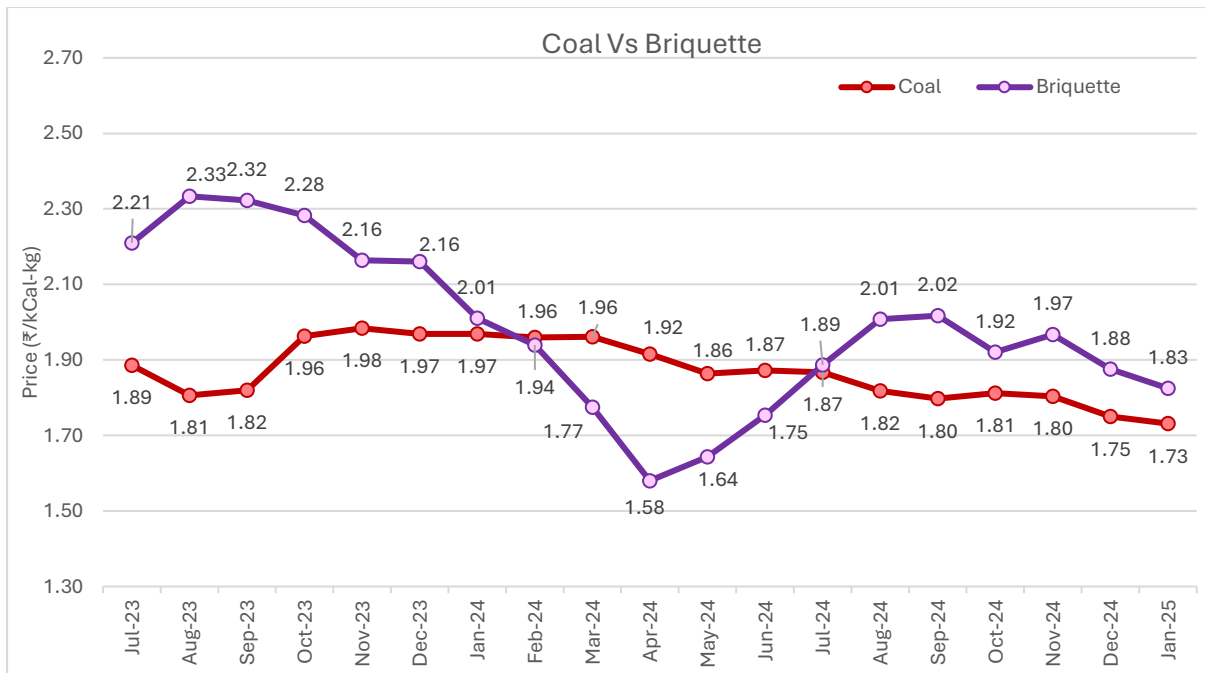
It also helped that the weighted average price of Standard briquettes was also lower slightly at ₹1.75 per Kcal-kg in Jan 2025, down from ₹1.77 in the month before. Superior briquettes continued to see falling prices, down 5 paise to ₹1.78 per Kcal-kg last month. Another way to look at it: Superior briquettes were sold last month at almost the same price as Standard briquettes in the month before! Premium briquettes turned the other way, up 9 paise from December to ₹2.13 per Kcal-kg in Jan 2025. Overall, the big swing towards Standard grades brought down the overall weighted average price of briquettes by about 3% last month.

The one element that bucked the downward trend was the spread between Buyers and Sellers. From being the narrowest in seven months, in Dec 2024, it jumped to ₹0.37 per Kcal-kg, with Sellers (on average) seeking a high ₹2.13 in Jan 2025 (up 10 paise), while Buyers going lower to ₹1.76 per Kcal-kg last month. The pull-back on part of Sellers' seems to be a sharp reaction to the low ₹2.04 level reached in December. Despite this, deals happened closer to Buyer expectations.

Both Demand and Supply for January delivery as seen on the platform were lower than Dec 2024, with Supply falling behind Demand. Market activity seems to indicate that this will improve in the coming months.

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.



Price of imported 3400 GAR coal continued to trend lower in Jan 2025, though marginally down to ₹1.73 per kCal-kg. With briquettes also falling at a comparatively faster rate, the Coal vs Briquette spread in January narrowed a bit more to 10 paise per kCal-kg (from 13 paise month before). Standard briquettes at ₹1.75 are now very close to comparable imported coal. The case for switching to briquettes couldn't have been any stronger for price conscious buyers.

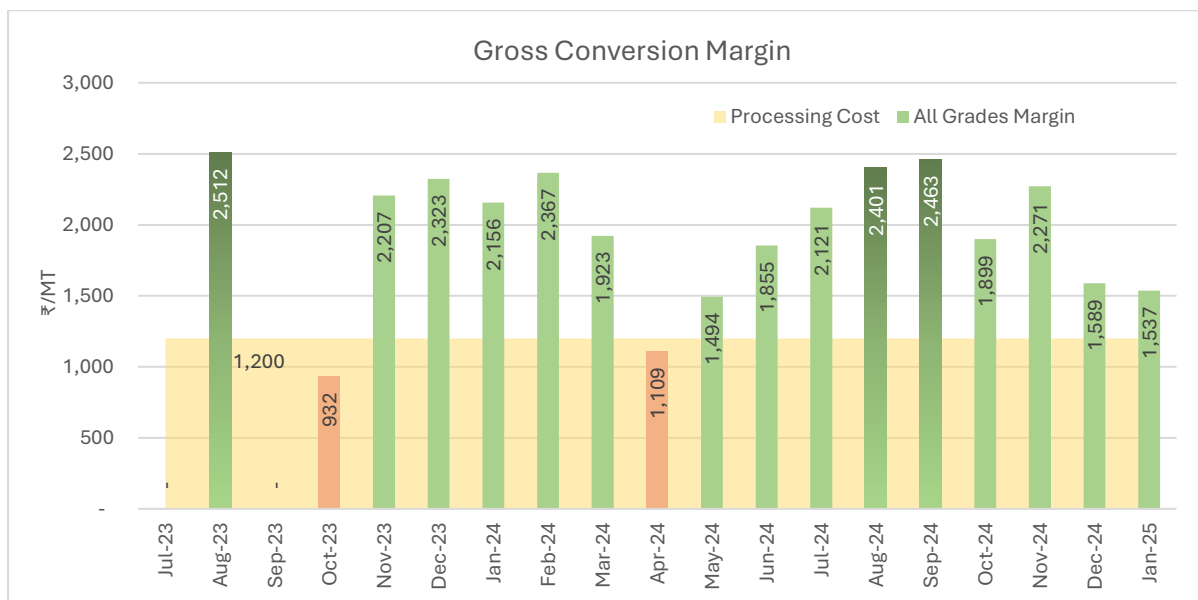
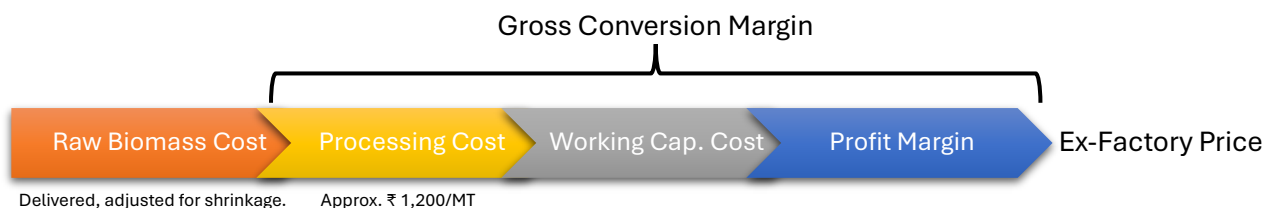
Last February saw the spread reversing in favour of briquettes (i.e. biomass briquettes cheaper than coal) but that came on the back of a sharp fall in briquette prices in the months leading up to February with near steady coal prices.

Coal demand, particularly in the EU, is falling – 2024 was the first year when power generation from solar power plants exceed that from coal-based thermal power plants in Europe. January 2025 was amongst the hottest Januarys on record in many parts of India and the world as well. Consequently, power consumption in the country in Jan 2025 grew only 2.7% over the previous month, as use of heating appliances was greatly reduced. Imported Coal prices are expected to remain flat or trend marginally lower in February unless demand picks up at large consumers like China & India.

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.

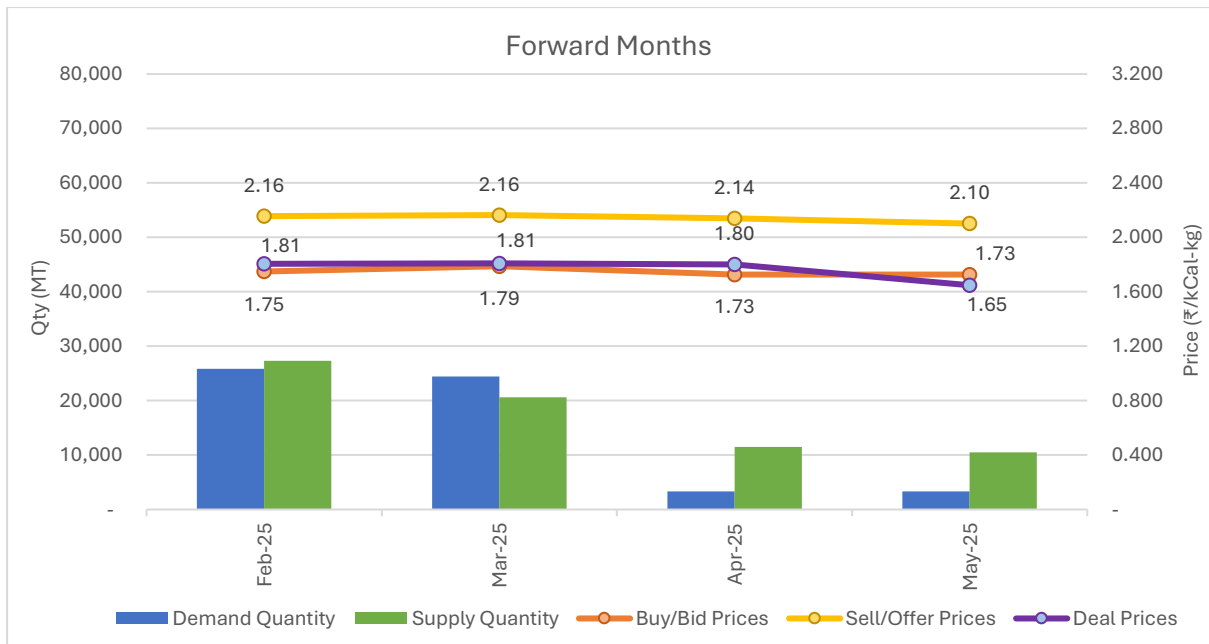
To assess the inherent value of briquettes, we have compared the delivered price of raw biomass, with the ex-factory price of briquettes. Raw biomass prices have also been adjusted for expected shrinkage across various inputs. The difference represents the GCM (Gross Conversion Margin), which includes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



At ₹1,537 per MT the Gross Conversion Margin (CGM) in Jan 2025 was lower than the previous month. The GCM for Superior and Premium seemed to converge in the ₹1,200 to 1,400 per MT range. While GCM for Standard briquettes was still a comfortable ₹1,700 ~ 1,800 per MT. Superior briquette manufacturers are not out of the woods yet. During the monsoon months, Superior briquette prices ran closer to that of Premium briquettes but are now closer to that of Standard briquettes. Overall, in Jan 2025 the GCM across all grades was 23% of average landed cost of briquettes, about the same level as December. This level is below the lower bound of the 25% to 30% range that we predicted last month – indicating pressure on manufacturers from both sides: feedstock prices are not falling as fast as briquette prices.

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.



For delivery into the near two forward months of Feb & Mar 2025, the weighted average price of deals done was ₹1.81 per Kcal-kg. For delivery into Apr 2025, the deals happened at a very close ₹1.80 per Kcal-kg. And for delivery into May, the average deal price was much lower at ₹1.65. The prices that Buyers were willing to offer for forward months, were not very different as compared to spot month prices. For Feb to May 2025, Buyers were looking to buy at a few paise around ₹1.75 per Kcal-kg. Sellers on the other hand, came to the platform asking for much higher levels (starting at ₹2.16 in the near months and dropping down to ₹2.10 per kCal-kg just for May). But the Sellers also negotiated deals very close to Buyer expectations.

This throws up an interesting hypothesis: Buyers and Sellers both seem to be reasonably sure of the general direction in which the prices will go: lower than the current month. But uncertain of the extent of fall in prices in the near term. This might explain near month deals happening just 1 paise below spot month. They seem to be certain that way out into May 2025, prices will be lower and hence settled at ₹1.65. A word of caution: volumes sought by Buyers (i.e. Demand) go progressively lower and taper off significantly into April & May. There seem to be suppliers interested in longer term deals, but comparatively less demand.

The Bid-Ask spread (between Buyer & Seller expectations) which had widened to 30 paise in Jan 2025, from 16 paise in December, stretched ever wider to 34~35 paise in the months up to April. This is quite unusual compared to historical data, and we remain cautious how long this will sustain.

BiofuelCircle Benchmark Prices

We continue to publish **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. These prices are offered for reference and comparison.

Biomass feedstock, briquettes, pellets are all traded in volume on the BiofuelCircle platform. Through direct connect with 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 compute a range of prices that can provide stable margins to sellers, and at the same time are competitive for buyers.

Based on feedback received, this month we are introducing a simpler, national benchmark price for various grades, with a longer outlook beyond three months:

Ex-factory, ₹per Kcal-kg

Grade	Feb-25	Mar-25	Apr-25	May-25	Jun-25
Standard <i>(GCV< 3400, Ash >12%)</i>	1.31	1.33	1.36	1.45	1.46
Superior <i>(GCV~3400 to 3800, Ash~8 to 12%)</i>	1.42	1.43	1.44	1.45	1.46
Premium <i>(GCV > 3800, Ash < 8%)</i>	1.92	1.93	1.92	1.92	1.93

How do you find this simpler format? Do share your feedback. 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

Briquette prices are headed lower from January into February, despite the efforts of Sellers to hold on to levels above ₹2 per kCal-kg. The commodity mix in January was completely dominated by Standard briquettes, occupying three-fourths of the market. This may not change drastically in the coming months. Not too long ago, Superior briquettes commanded a price close to Premium briquettes, last month they traded just above Standard briquettes. This will keep Gross Conversation margins in the lower end of our projected range, at 25% or below.

Forward prices seem to indicate everyone expects briquette prices to move lower – but there seems to be no consensus on by how much. The long-term outlook for coal in 2025 remains bearish, and with a warmer than usual January, meant sluggish demand for coal for power generation.

While we do not expect a dramatic repeat of events from February 2024, when prices of briquettes slipped below 3400 GAR imported coal. But we may come very close in the coming months. February and March are months to watch out for.

If you are a Briquette/ Pellet manufacturer, how could these trends impact you? [Get in touch with your BiofuelCircle representative](#) to know more.

Are you a consumer of briquettes or pellets? Connect with [your BiofuelCircle representative](#) to understand how Benchmark prices can help give you price predictability and stability.

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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