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BiofuelCircle Market Insights

January 2026

From the Editor’s Desk: Welcome to the January edition, a month of structural strength

The numbers for January present a fascinating contradiction. We are witnessing a market where Demand has exploded by 4x, and Supply has surged by ~2.5x, yet instead of softening under this flood of liquidity, deal prices have hardened to ₹1.990/kCal-kg. On the surface, this looks like unshakeable structural strength. However, in this edition, we say that this is actually a liquidity paradox a temporary peak driven by scarcity, not infinite demand.

We unpack the mechanics of this anomaly, starting with the standard grade shift. We reveal why the economy-grade fuel is trading at premium levels, not because of buyer preference, but because of a forced shift caused by a shortage of premium feedstock. We also investigate the looming economic reversal: while global coal costs are rising due to macro headwinds, domestic briquette prices are poised to fall. The current spread is deceptive, and we explain why the supply shock from the incoming harvest will likely invert the cost advantage sooner than expected.

Operational health is also under the microscope. Our analysis of the Gross Conversion Margin (GCM) shows a recovery to ₹2,047/MT, but it’s suggested that this is the peak before the correction. As sellers prepare to unwind inventory for the new crop, this margin and the current price stability will face its toughest test.

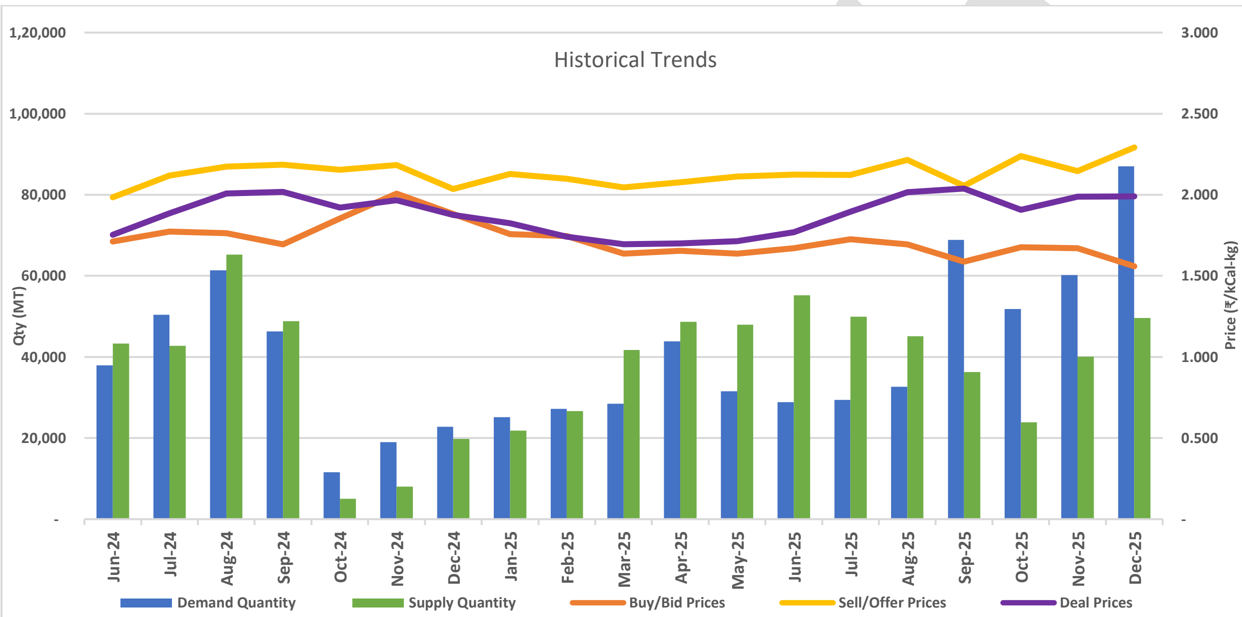
Finally, we decode the parallel paralysis in the forward curve, where buyers and sellers are locked in a standoff. Read on to understand why the fiscal bridge may be the last window of high prices before the inevitable harvest reset.

To know more, keep reading.

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. The 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 for the month, and Supply (green bars) is the total quantity offered by Sellers for that month.



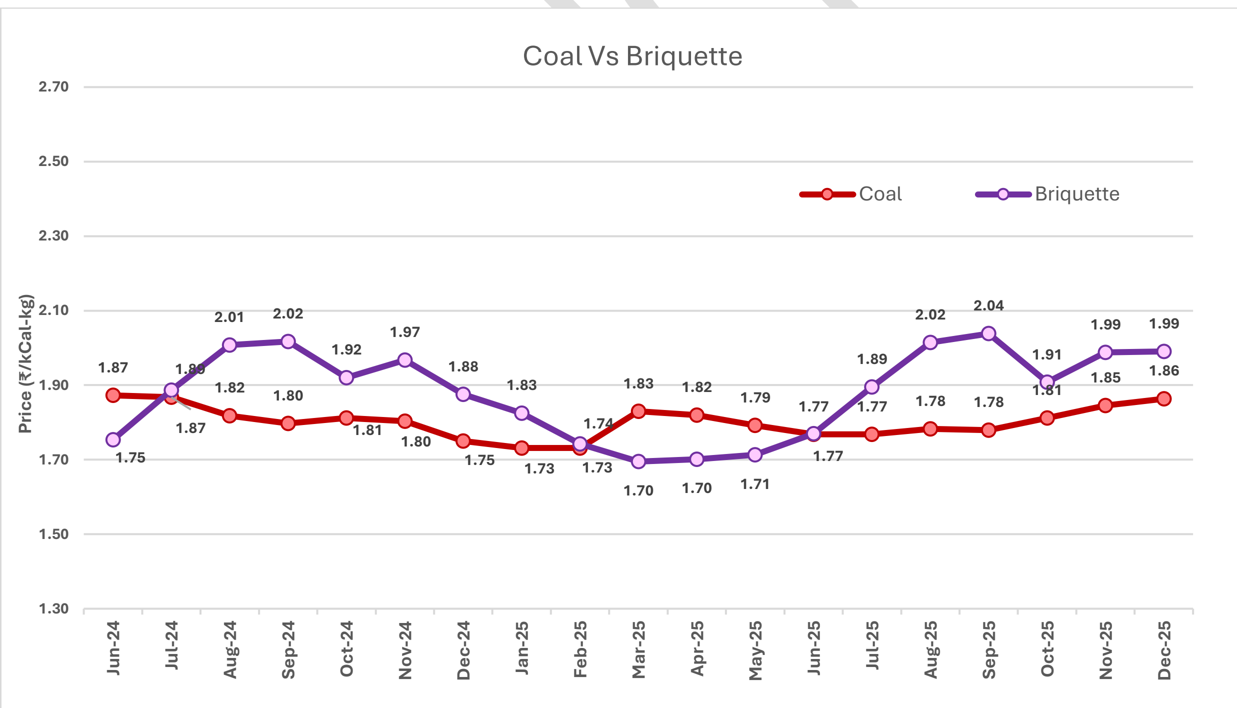
The market is currently operating under a unique Liquidity Paradox. We are witnessing a massive explosion in trade volume demand has surged to over 87,000 MT, and Supply has touched nearly 50,000 MT, yet this flood of material has not dampened prices. Instead, Deal Prices have hardened to a robust ₹1.990/kCal-kg. Typically, such high liquidity would trigger a price battle, but the market is defying gravity, holding onto value even as volumes scale. This signals that we are in a strictly seller-controlled environment where availability, not affordability, is dictating the terms of trade, and sellers are holding the line.

The engine behind this price resilience is a Forced Shift in grade availability. Standard grade briquettes are currently trading at a premium level of ₹1.945/kCal-kg, but this is not a signal of buyer preference. Rather, it is a symptom of feedstock scarcity. With Premium-grade raw material temporarily short, manufacturers are forced to process whatever biomass is available to keep lines running, effectively flooding the market with Standard grade. Buyers, left with limited alternatives, are absorbing this standard supply at elevated prices. This is a supply-side constraint masquerading as demand strength; the high price of Standard fuel is simply a scarcity premium in disguise.

However, this resilience is built on temporary foundations. The widening gap of 73 paise between seller offers and buyer bids serves as a warning that the market is stretched too thin. We assess that a significant correction is imminent, driven not by demand destruction, but by a looming supply shock. As the season turns and fresh raw material begins to hit the market in large volumes, the current scarcity of feedstock will vanish. This influx will inevitably dismantle the scarcity premium, forcing sellers to lower their offers and bringing deal prices down to equilibrium. The current prices will likely drop as soon as fresh supply floods the market.

Price Comparison: Coal vs Briquettes

The chart below compares the weighted average delivered prices of Biomass Briquettes to those of imported coal (GCV 3400 GAR, Gross as Received). We call the difference between these prices 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.



While briquette prices hold firm at ₹1.99/kCal-kg, thermal coal remains at ₹1.86/kCal-kg, creating a steady 13-paise premium for biomass. This divergence is particularly striking given the current global context, where China, the world's largest consumer, reported a record coal output of 4.83 billion tons in 2025. This massive domestic supply has reduced their import appetite, creating a supply glut in the Asian seaborne market that has kept global benchmark prices suppressed near $110/ton.

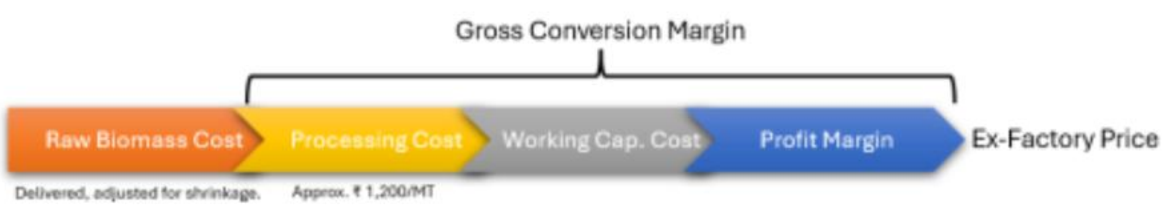
Typically, this global oversupply would drag domestic fuel prices down, but two critical India-Specific factors are insulating our market. First is the "Rupee Shield." The cost of imported coal is not just a function of global spot prices but also the currency it is bought in. With the Rupee depreciating by approximately 2.4% between November and mid-January (breaching the ₹90.92 mark), the "landed cost" of imported coal has remained high. This currency dip effectively neutralises the benefit of softer global prices, as every dollar of import now costs significantly more than it did just two months ago.

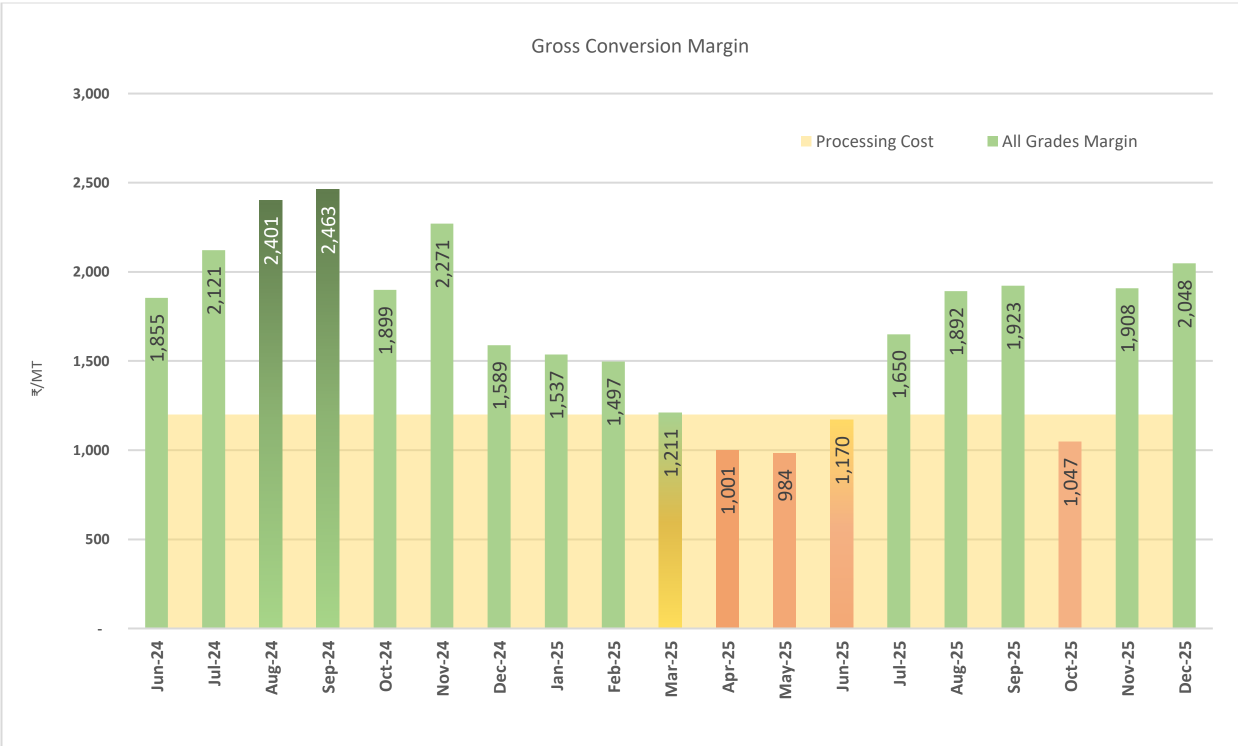
Secondly, we are witnessing a structural pivot in power generation. In a historic shift, India's coal-fired electricity generation contracted by 3.4% in 2025, reaching 1,247 TWh, while renewable capacity surged. This signals a tangible inclination towards biomass as a critical component of the renewable energy mix. Furthermore, as we have seen in previous years, a familiar trend is likely to unfold: while the landed cost of coal faces upward pressure from currency fluctuations and global trends, briquette prices are destined to soften as fresh harvest supply floods the market. As coal becomes expensive and briquettes cheaper, the current 13-paise spread will not just close it will invert. Soon, buyers will likely choose briquettes not because of regulatory mandates, but because they have once again become the cheaper, more competitive fuel.

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.





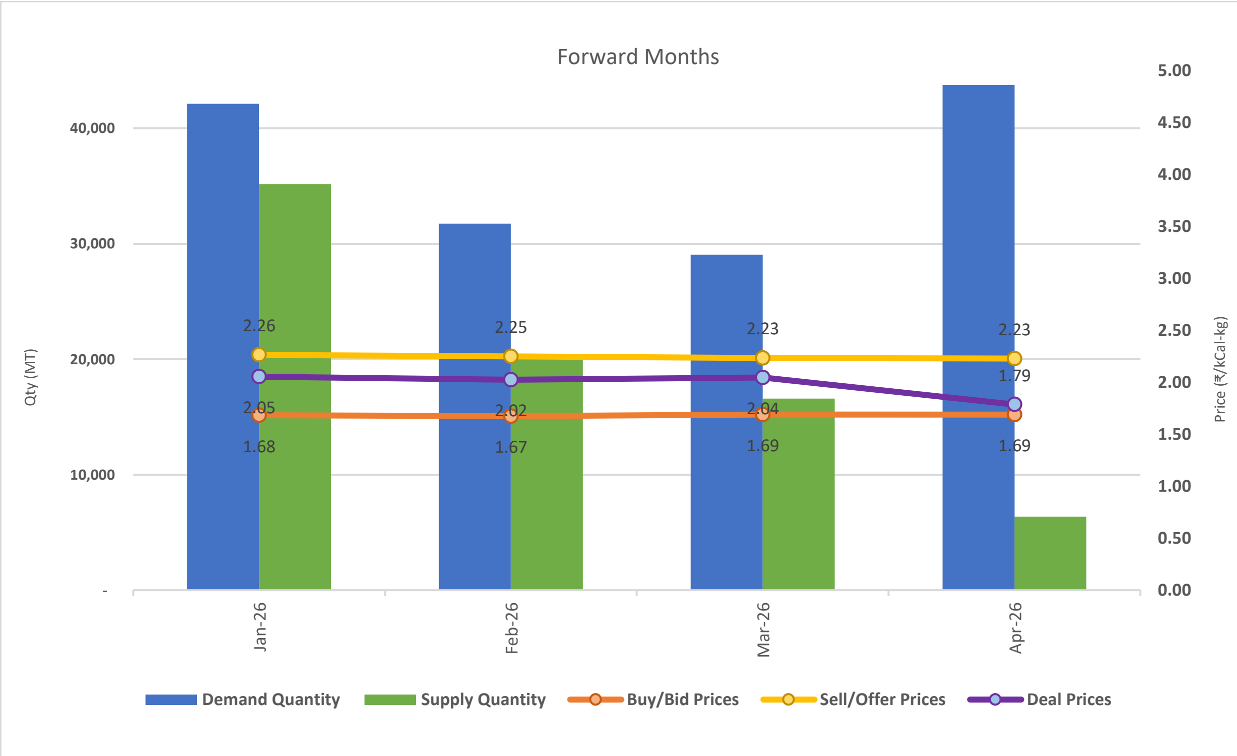
The peak before the correction the Gross Conversion Margin (GCM) has staged a decisive recovery, reaching a weighted average of ₹2,047/MT in December. While this signals current operational health, we assess that this represents a local peak rather than a permanent baseline. History is repeating itself: just as we observed in the same cycle last year, the market is approaching a tipping point where margin compression becomes inevitable. The current GCM strength is built on the holding power of sellers, but that power is about to be tested by the harvest cycle.

As fresh Rabi crop supply begins to hit the market, it can be anticipated that a wave of inventory unwinding is around the corner. Sellers who have been holding stock to capitalise on the current scarcity will be forced to liquidate their positions to clear space and cash flow for the new material. This sudden release of volume will shift the leverage back to buyers. As supply availability increases, industrial buyers who are currently paying ₹1.990/kCal-kg will inevitably lower their bid prices, compressing the spread.

This is not a new phenomenon; it is a structural cycle. Looking at the data from December 2024, we saw a similar pattern where tighter supply (19,795 MT) held margins up, only for them to correct sharply as volumes expanded. With the current supply already at 49,635 MT and poised to grow further, the scarcity dividend that is currently inflating the GCM will evaporate. We project that as the raw material cost softens with the new harvest, the finished goods price will drop even faster, leading to a natural consolidation of the GCM back towards the historical median in the coming 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.



The forward-month trend indicates a potential standoff, as the market has moved into a wait-and-watch mode. The most striking feature of the forward curve is not the price itself, but the geometry of the sentiment. A technical analysis of the projected Buy/Bid and Sell/Offer trendlines reveals almost perfectly horizontal, parallel lines stretching from January to April. Where buyers have anchored their bids at a flat baseline of ~₹1.68/kCal-kg. and sellers are equally stubborn, holding offers steady at ~₹2.25/kCal-kg.

This Parallel Paralysis signals a market in a bit of strategic stalemate. Neither side is willing to commit to a long-term directional shift. Buyers are refusing to bid higher for future months, betting on the harvest; sellers are refusing to discount, betting on the fiscal rush. Both parties have effectively adopted a wait-and-watch stance, refusing to blink.

Paying for the fiscal bridge (Q4 FY26) while sentiment is flat, reality is volatile. Despite the standoff, actual Deal Prices for Q4 (Jan-Mar) are clearing high at ₹2.054, ₹2.024, and ₹2.045. This proves that while buyers want to wait (evidenced by their low bids), the pressure of the fiscal year-end is forcing them to capitulate in the short term. They are breaking the standoff week-by-week to keep boilers running, paying a certainty premium to bridge the gap to March 31st.

The inevitable correction, although the forward curve projects a sharp 13% correction to ₹1.786/kCal-kg in April, we say, as per taking last year's data into consideration, this standoff could fracture sooner, potentially between mid-February and early March. The looming Rabi harvest (Mustard/Wheat straw) is set to flood the system, and this may inevitably force sellers to abandon their ₹2.25 fortress. Whether the break occurs in late Q4 or early Q1, the incoming supply cycle will ultimately declare the winner, validating their "wait and watch" strategy.

In Conclusion

The peak before the pivot, the January data presents a classic market paradox: we are seeing record trade volumes and firm prices simultaneously. However, it is prudent to view this surge as a cyclical peak rather than a permanent structural baseline. We believe the market is currently at a cyclical peak. The resilience in deal prices is a symptom of temporary feedstock scarcity, not infinite buyer appetite. As the liquidity paradox resolves, we expect the current seller-dominated environment to flip. The high prices of today are likely the ceiling, not the floor, for the coming quarter.

Inventory unwinding as we move deeper into Q4, the operational narrative will shift from margin expansion to margin compression. The current GCM peak of ₹2,047/MT is unsustainable. As seen in previous years, sellers holding stock will soon be forced to unwind their inventory to make space for the fresh harvest. This rush to liquidate will shift leverage back to the buyers. We anticipate that industrial buyers, sensing this oversupply, will aggressively lower their bids, compressing seller margins back to historical norms.

Ultimately, the strategic standoff currently defining the forward curve is expected to give way as market fundamentals take over. The arrival of the rabi harvest (Mustard/Wheat straw) will serve as a decisive supply shock, naturally easing the current price firmness. With coal costs facing upward pressure from macro headwinds and briquette prices poised to soften under this supply expansion, the cost dynamics are destined to invert.

If you are a Briquette/ Pellet manufacturer, and want to know how these trends could 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 these trends can help give you to achieve 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 the 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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