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BiofuelCircle Market Insights

August 2026

From the Editor's Desk: Stronger Economics Across the Biofuel Market

The monsoon has progressed with the biomass market retaining its firmness. Realized briquette prices remained above ₹2.00/kCal-kg, while Buyer and Seller expectations continued to remain materially apart. At the same time, Gross Conversion Margin reached its highest level in the current series, indicating stronger conversion economics despite the seasonal transition in biomass procurement.

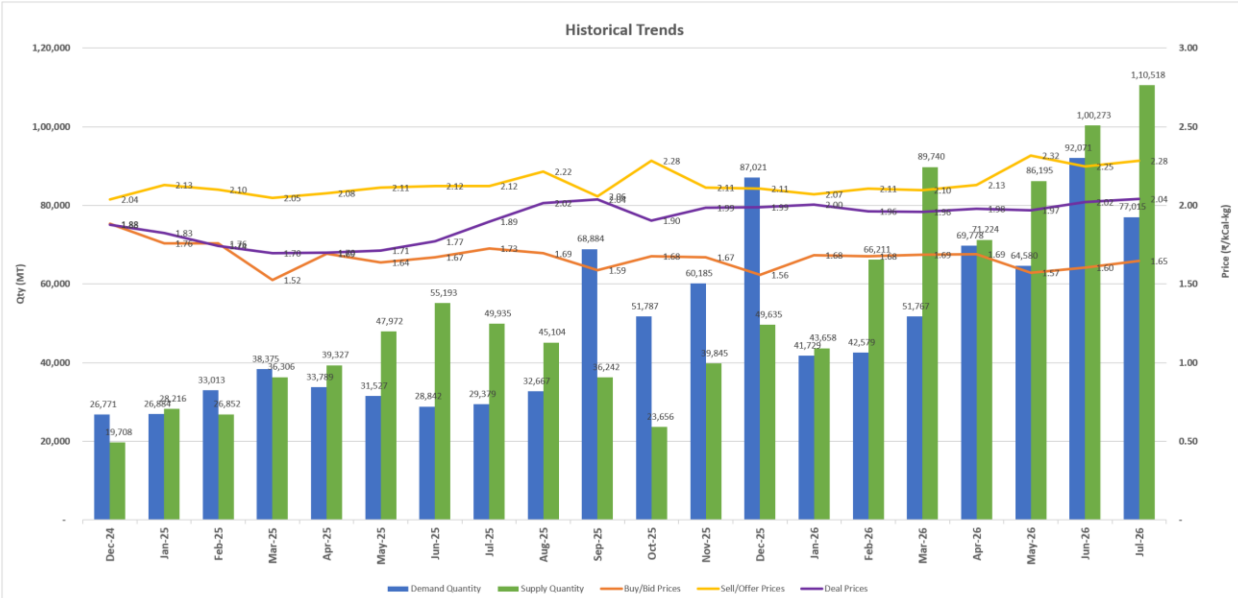
The relative economics of biomass have also strengthened against imported coal. Coal prices reached ₹2.55/kCal-kg, widening the coal-briquette spread to its highest level in the current series. The movement reflects a sharper appreciation in imported coal, supported by firmer Indonesian coal pricing, while briquette realizations remained comparatively contained. The result is a wider price differential between the two fuels on a GCV-equivalent basis.

The forward market carries this underlying firmness into the coming months, with Deal Prices remaining above ₹2.00/kCal-kg through November. Seller Offers strengthen towards the later delivery periods, while Buyer Bids remain considerably lower. The market therefore enters the coming months with stronger conversion economics and a wider relative price advantage for biomass, even as expectations around future briquette prices remain divided.

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 continued to hold firm through July, with Deal Prices reaching ₹2.04/kCal-kg. Buyer Bids moved up to ₹1.65/kCal-kg, while Seller Offers remained at ₹2.28/kCal-kg. The 63-paise gap between the two positions remains substantial, yet transactions continued to settle at ₹2.04/kCal-kg, placing the realized price considerably closer to the Seller side of the range.

The persistence of this gap is significant. Buyer indications have moved higher but remain well below concluded prices. Seller Offers have also remained firm, leaving neither side with a clear price advantage at the point of initial negotiation. This is typically seen during monsoon seasons even in the past where availability of biomass, processed or raw, is perceived to be scarce. Even with higher supplies in the market compared to last year, the sentiments continue to be played out.

The pricing pattern also remains notable against the seasonal backdrop. The southwest monsoon was active across the country during the month, with rainfall distribution varying significantly across regions. The impact on biomass availability and procurement conditions differs by geography and feedstock, making it difficult to assign the movement in Deal Prices to the Monsoon alone. The available data nevertheless shows that the seasonal transition has not been accompanied by a visible weakening in realized briquette prices.

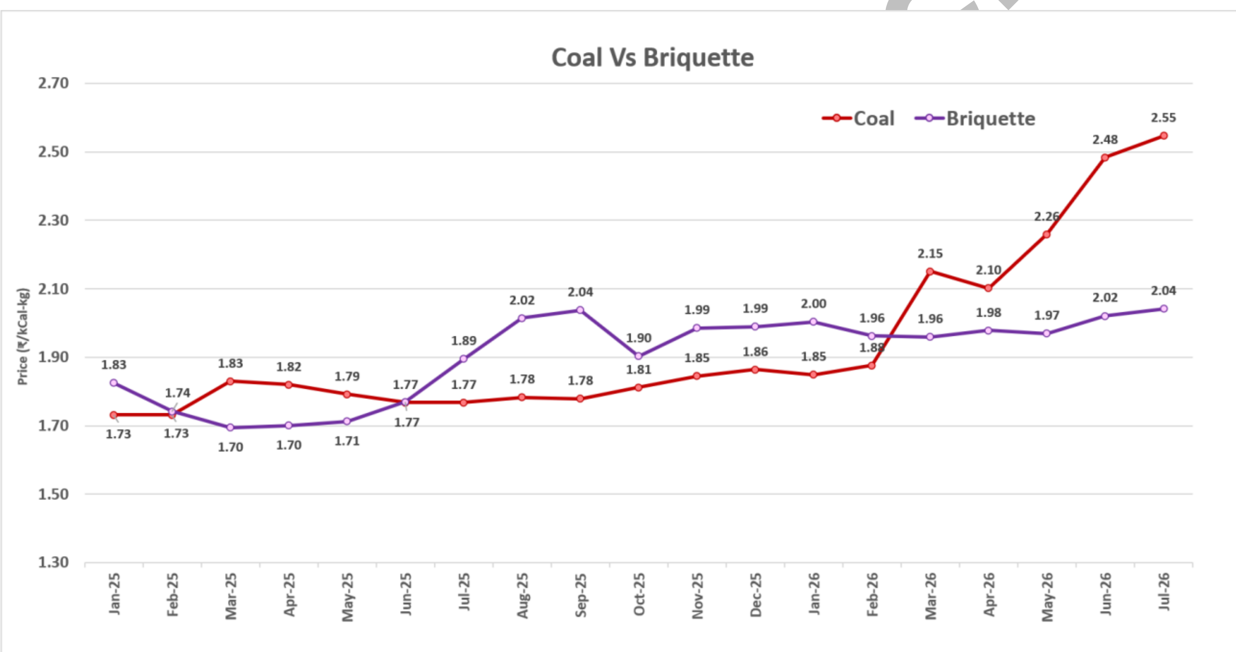
The year-on-year comparison provides further context. Deal Prices at ₹2.04/kCal-kg are above the ₹1.89/kCal-kg recorded during the corresponding period last year. The current market is therefore operating at a firmer realized price level, while the gap between Buy/Bid and Sell/Offer prices remains wider than the transaction price itself.

Platform activity during the month remained substantial, with 77,015 MT of Demand Quantity and 1,10,518 MT of Supply Quantity recorded. The quantities provide context to the level of activity visible on the platform, while the price indicators continue to tell a separate story around expectations and concluded values.

The July market therefore presents a combination of firm realized prices and divergent expectations. Buyer indications have moved upward without closing the gap with Seller Offers, while Deal Prices have continued to hold above ₹2.00/kCal-kg. The current pricing structure suggests that the market has retained its firmness even as the two sides continue to hold materially different views on value. Currently, sellers seem to have the upper hand.

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.



The coal-briquette spread widened further in July, with imported coal reaching ₹2.55/kCal-kg against ₹2.04/kCal-kg for briquettes. This difference is the widest visible in the current series. More importantly, the widening has come from two different price trajectories. Briquette prices have remained relatively contained, while imported coal has continued to move sharply higher.

The coal market has been operating in a different pricing environment from the domestic biomass market. Indonesian coal benchmarks continued to strengthen through July. Reports also point to continued firmness among Indonesian producers amid uncertainty around production quotas and export availability.

This firmness in the international market stands in contrast to the Indian import demand environment. Monsoon conditions kept Indian coal buying relatively subdued, while domestic availability remained adequate for much of the market. The increase in landed coal prices therefore cannot be read simply as a reflection of stronger Indian demand. The pricing pressure is coming primarily from the international supply and benchmark side, which is now feeding into the landed economics of imported coal.

The divergence becomes more pronounced when the two fuels are viewed over the recent period. Imported coal moved from ₹2.10/kCal-kg in April to ₹2.26 in May, ₹2.49 in June and ₹2.55 in July. Briquette prices, in comparison, have moved from ₹1.98 to ₹1.97, ₹2.02 and ₹2.04 over the same period. The result is a steadily expanding relative price advantage for briquettes. Widening the gaps between the 2 benchmarks is an observable part of this period. If the trends from the past continue, we may see further widening over the next month before the prices begin to converge. Where they will converge is anybody's guess.

Briquette prices have also strengthened, yet the increase has been modest compared with the movement in imported coal. The widening spread is therefore being created by the faster appreciation of the competing fossil fuel. The current gap is also materially different from the position seen a year earlier, when the two fuels were trading much closer to parity. The present spread has now widened to a level that changes the relative cost position of the two fuels on a GCV-equivalent basis.

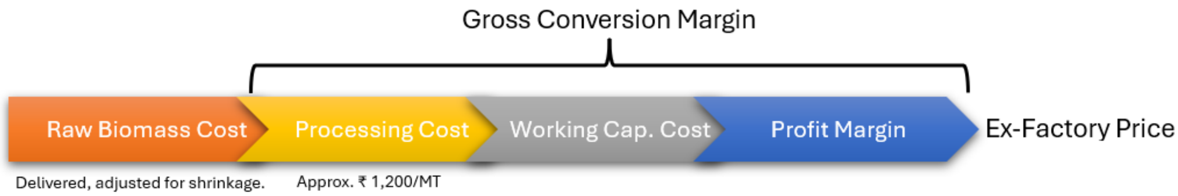
July therefore marks another month in which imported coal has moved further away from briquette pricing. The direction of the spread from here will depend on whether the strength in Indonesian coal benchmarks and export pricing persists, while briquette prices continue to find their own level through the monsoon period.

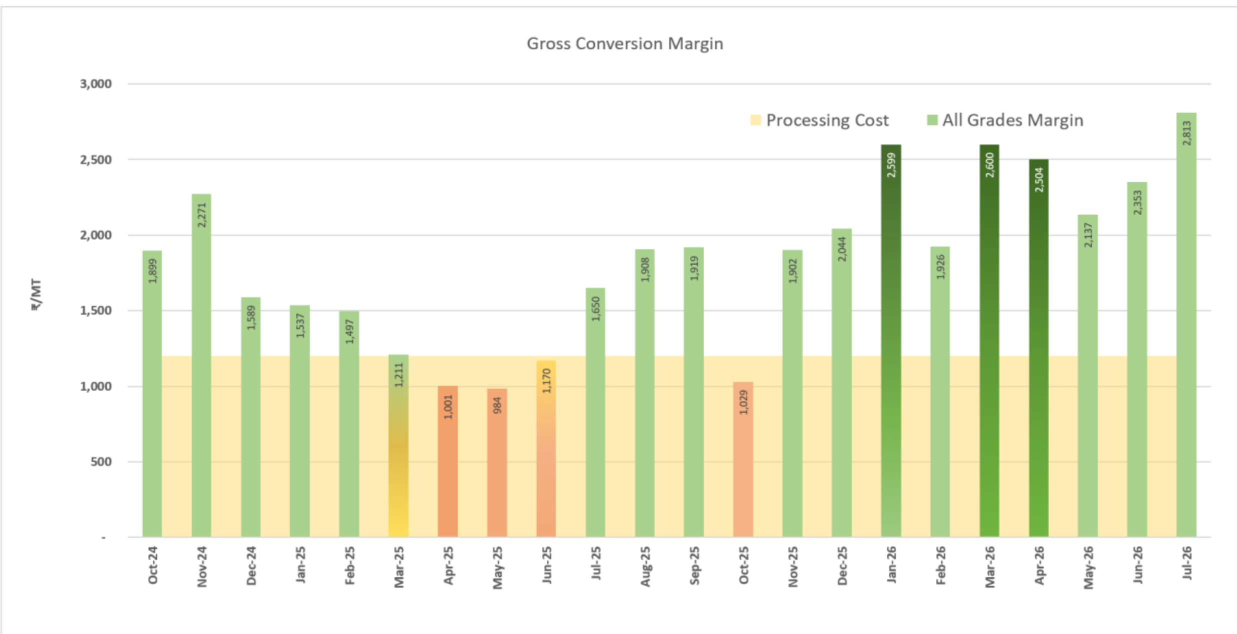
Past Trends: Gross Conversion Margin

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.





July recorded a Gross Conversion Margin of ₹2,813/MT, increasing from ₹2,353/MT in June. The margin now stands substantially above the benchmark processing cost, indicating that processor economics remain strongly supportive despite the seasonal transition in biomass procurement.

More importantly, the latest movement shows that the expansion in processor economics has outpaced the movement in finished briquette prices. Deal Prices increased only marginally, while GCM expanded by ₹460/MT. The widening spread therefore points to a stronger underlying conversion economics environment rather than a sharp increase in briquette realizations alone.

The timing of this expansion is significant. The market has entered the monsoon period, when procurement conditions for farm-sourced biomass become more closely linked to availability, inventory carrying requirements and replacement costs. The current GCM indicates that these considerations are being accommodated within the economics of conversion, with the market continuing to support a substantial spread above the benchmark processing cost.

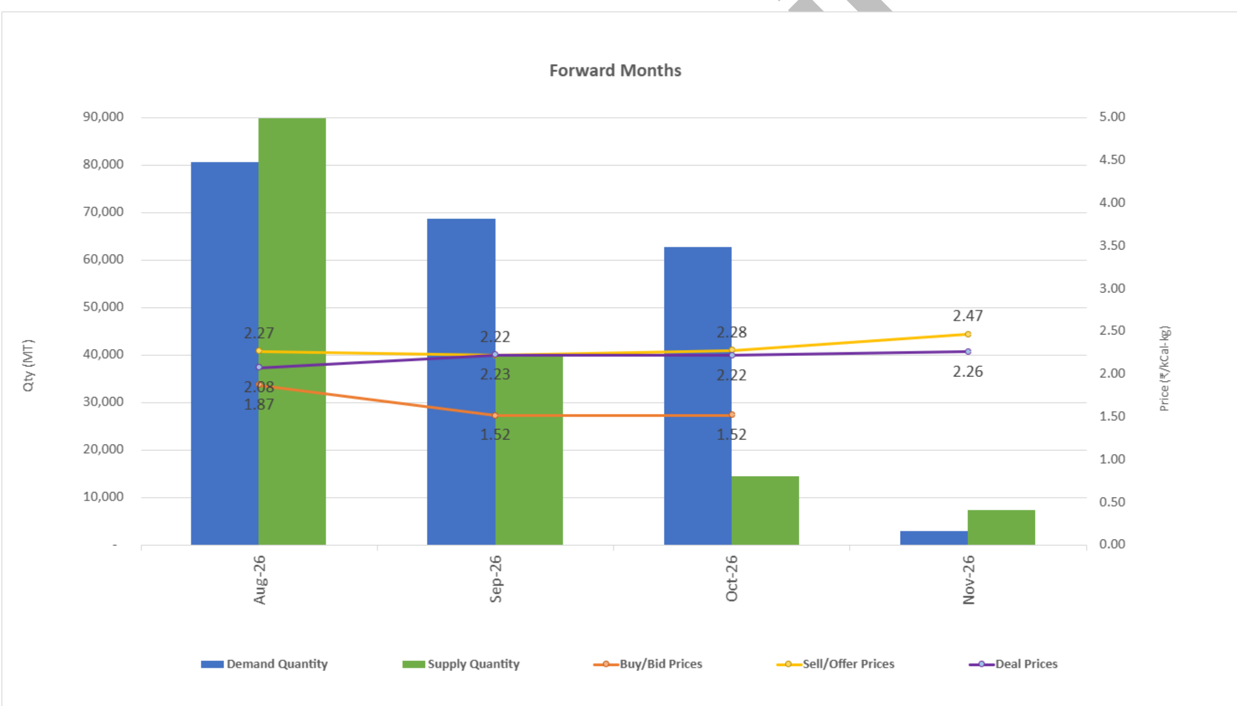
At the same time, the available data does not establish which individual component, raw biomass cost or ex-factory briquette realisation, was responsible for the full movement in GCM. What is clear is that the gap between the two has widened materially. This makes the current margin level an important indicator of the strength of processor economics as the monsoon progresses.

The trend also marks a clear change in the direction of margins after the moderation seen earlier in the year. With GCM now at its highest level in the current series, the immediate question is how much of the current spread can be sustained as procurement conditions evolve through the coming months.

The next phase of the market will therefore be important for determining whether the current margin represents a sustained strengthening of processor economics or a period of unusually favourable conversion spreads.

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 market continues to show firm pricing expectations through the monsoon period, with Deal Prices remaining above ₹2.00/kCal-kg across August to November. The curve moves from ₹2.03/kCal-kg in August to ₹2.23 in September, ₹2.22 in October and ₹2.26 in November. Rather than indicating a sustained decline after the monsoon transition, the forward pricing structure points towards continued firmness in realised values.

The gap between Buyer and Seller expectations remains the defining feature. Buyer Bids fall to ₹1.52/kCal-kg in September and October, while Seller Offers remain above ₹2.20/kCal-kg. Yet Deal Prices are established at ₹2.23 and ₹2.22 respectively, considerably above the prevailing Buy/Bid levels. This is a notable divergence between initial buyer expectations and the prices at which transactions are being concluded.

The later months carry a firmer Seller position. Seller Offers rise from ₹2.27/kCal-kg in August to ₹2.47/kCal-kg in November, while Deal Prices remain comparatively stable between ₹2.22 and ₹2.26/kCal-kg. The widening difference between Offers and realised transactions suggests that Sellers are carrying higher price expectations into the later delivery periods, without those expectations yet translating fully into concluded prices.

The forward curve therefore does not present a uniform bullish or bearish signal. Seller expectations strengthen progressively into November, while realised prices remain within a relatively narrow range. At the same time, Buyer Bids remain materially below both Offers and Deals. The resulting structure indicates that the market continues to carry different views on future pricing, with negotiated transactions establishing a level between the two positions.

The forward market therefore enters the coming months with realised prices holding firm, Seller expectations strengthening towards November and Buyer indications remaining considerably lower. The extent to which the gap between these positions narrows as the delivery periods approach will determine how closely forward expectations translate into realised market prices.

In Conclusion

July 2026 reinforces the firmness visible across the biomass market, with realised briquette prices holding above ₹2.00/kCal-kg and the forward curve maintaining similar levels through November. The more significant feature of the current market is the continued separation between initial Buyer and Seller expectations, while concluded transactions remain within a relatively narrow range.

The relative economics against imported coal have moved more decisively in favour of briquettes. Imported coal reached ₹2.55/kCal-kg, creating the widest spread in the current series. This movement has been driven primarily by the stronger pricing environment for Indonesian coal. The resulting divergence has strengthened the energy-cost position of biomass against imported coal.

Processor economics have also strengthened. Gross Conversion Margin reached ₹2,813/MT, its highest level in the current series, while briquette Deal Prices moved only marginally. The expansion in GCM therefore represents a significant widening of the conversion spread. The available data establishes the strength of the current margin, while its underlying component-wise drivers and durability remain to be seen.

The forward market carries the same broad firmness into the coming months. Deal Prices remain above ₹2.20/kCal-kg from September through November, while Seller Offers rise progressively to ₹2.47/kCal-kg in November. Buyer indications remain considerably lower, leaving a wide negotiation range across the forward curve.

Taken together, July points to a biomass market with firm realised prices, strong conversion economics and a widening relative advantage over imported coal. The key question emerging from the current market is how these conditions evolve through the remainder of the monsoon, particularly as forward expectations increasingly diverge between buyers and sellers.

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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