

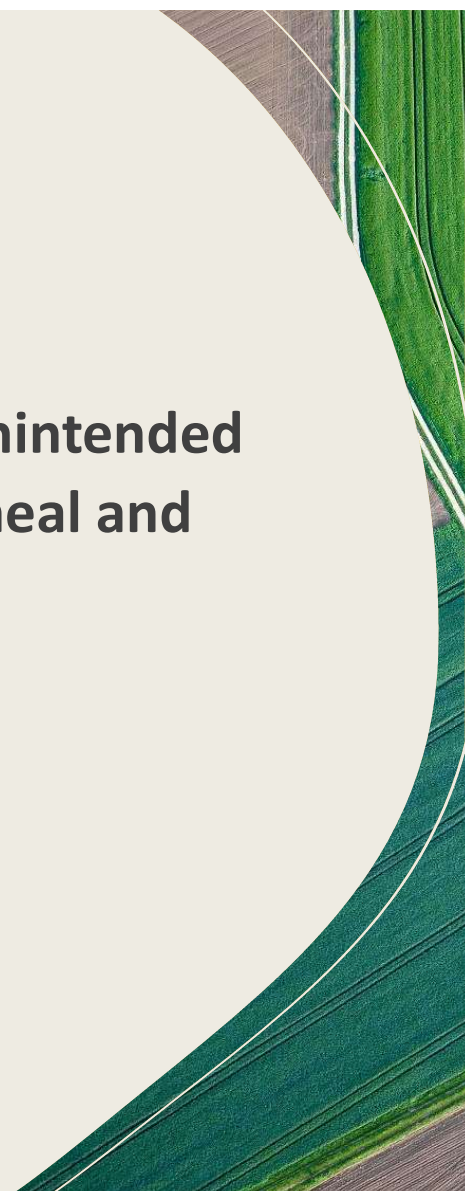


INTERNATIONAL  
**SOY CONCLAVE**

# **Impact of DDGS on the Soyabean Sector**

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**India's Ambitious Ethanol Blending Programme (EPB) has an unintended consequence in adversely impacting prices and marketing of meal and driving shift of acreage from oilseeds to corn.**

**Double Whammy on the Soyabean Sector**

## Ethanol Programme: A non starter till 2018

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Although the Ethanol Blending Programme (EPB) dates back to 2003, it was proceeding haltingly in as much as the blending rate achieved for the next 15 years was between 1 to 1.5 % against a mandate of 5%. The reasons were:

- Oil marketing companies priced ethanol purchases wrt gasoline prices- not attractive for the sugar sector;
- Excise Duty and Cesses were levied at rates applicable to gasoline even on the ethanol portion of the blend.
- States exercised vexatious control on the movement of ethanol at par with those on potable alcohol.



# Ethanol Programme Gets a fillip in 2018

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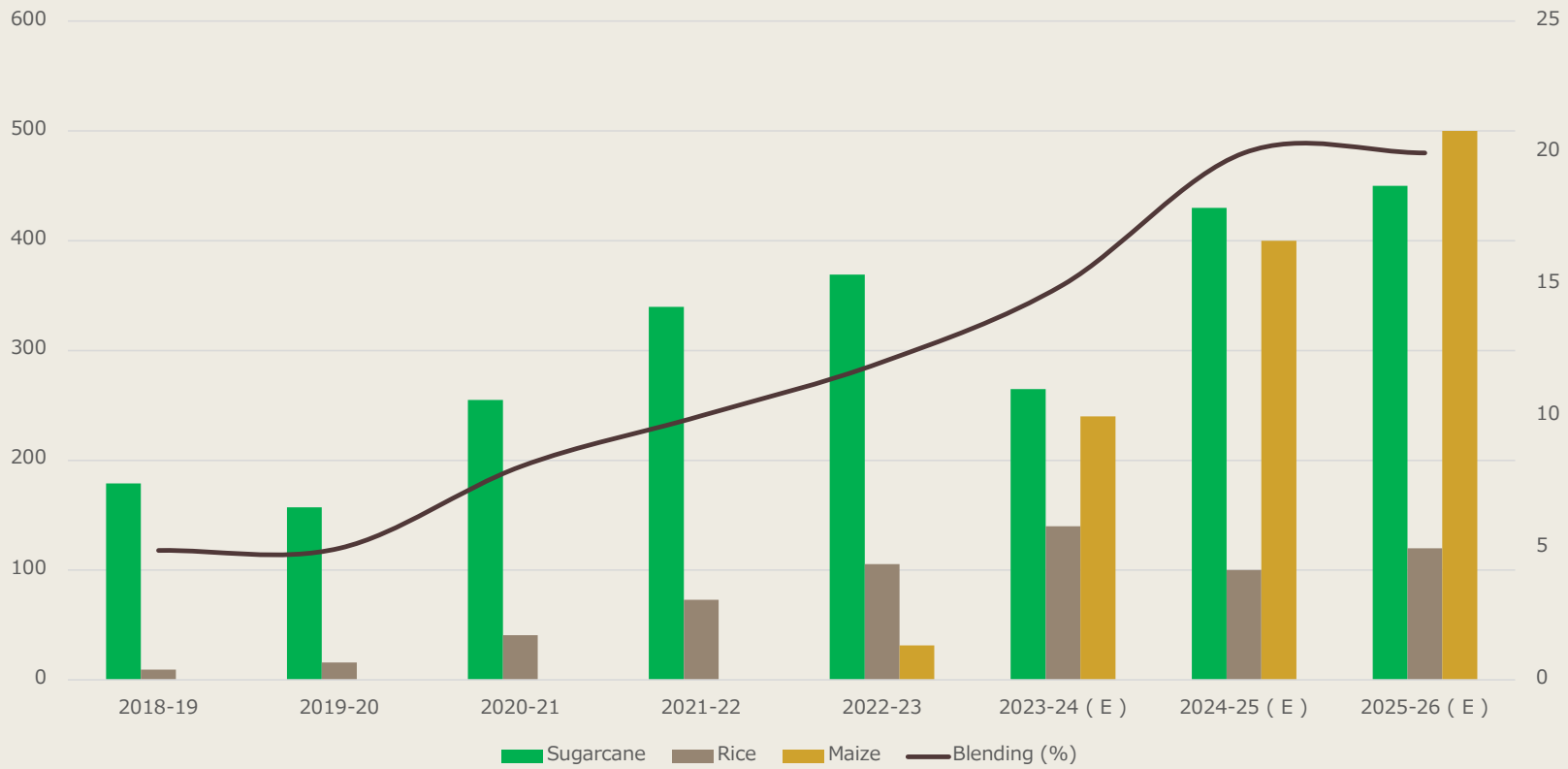
After the launch of the National Policy on Biofuels – 2018, the impediments were resolved, and a disincentive for non-blended fuel imposed:

- Incentive ethanol pricing to make ethanol from sucrose, molasses, and grains profitable.
- In June 2021, waiver of Excise Duty and Cess on ethanol portion in the gasoline mix retailed at the pump.
- In June 2019 control of States on the movement of ethanol abolished.
- In December 2021, the GST Rate on ethanol reduced from 18% to 5%.
- Effective April 2022, Rs 2 per litre tax imposed on unblended fuels.
- In October 2023, GST on molasses was reduced from 28% to 5%.



# Progress of Ethanol Blending Programme (EPB)

## Ethanol Supplied To Oil Marketing Companies (Cr. Ltr))



## Usage of Grains for Ethanol and Production of DDGS



Year	Rice Ethanol ( Bn Litrs)	Rice (MMT)	DDGS (MMT)	Maize Ethanol (Bn Litrs)	Maize (MMT)	DDGS (MMT)	Total DDGS (MMT)
21-22	0.73	1.6	0.4	0	0	0	0
22-23	1.1	2.4	0.6	0.32	0.8	0	1
23-24	1.4	3.1	0.8	2.4	6.3	2	3
24-25	1.4	3.1	0.8	4	10.5	3	4
25-26	1.4	3.1	0.8	4.5	11.8	4	5

Note: About 2.50 LMT of DDGS from the production of Extra Neutral Alcohol ( primarily from Rice is excluded).



# Impact of DDGS on the feed sector

Quantity of Feed	Estimated Qty of feed (Organised Sector)	Maximum rate of substitution of oil meal with DDGS(MMTs)	Estimated max quantity of DDGS absorption
Broiler (MMTs)	30	3%	0.9
Layer (MMTs)	5	10%	0.5
Others (including cattle and swine) (MMTs)	15	15%	2.3
Potential absorption of DDGS			3.7

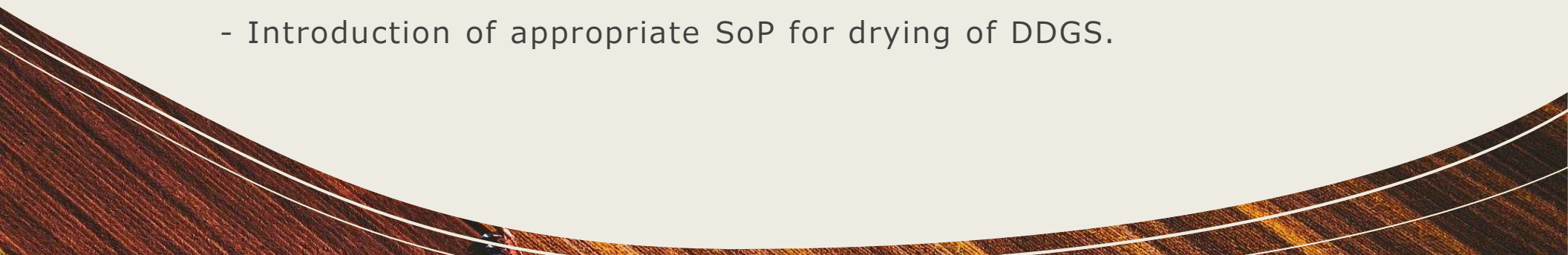
Source: Feed Industry, Arcus Policy Research

Note: Several feed millers are reluctant to use corn DDGS, so a considerable quantity goes into feed produced in the informal sector. The entire oilcake/oil meal domain, besides soymeal, is about 15 MMT, is a large universe to absorb the DDGS available at Rs 11000-14000 PMT for Corn DDGS and 18000-20000 PMT for Rice DDGS.

# Risks to Soyabean Sector: Double Whammy

Risk No 1: Demand destruction of soymeal through substitution by DDGS

- DDGS may not have inflicted significant pain on Soymeal just now. But, as DDGS availability increases by 25% next year and by another 20% in 25/26, the pain is likely to increase.
- We expect distillers enjoying cost-plus pricing for ethanol, with massive price incentives for low mycotoxins DDGS, would most likely take steps to reduce mycotoxins in DDGS sooner than later, taking the incorporation of DDGS to 12-15% in poultry feed by bringing down mycotoxins to international standards.
  - Installation of dryers for corn; and
  - Introduction of appropriate SoP for drying of DDGS.





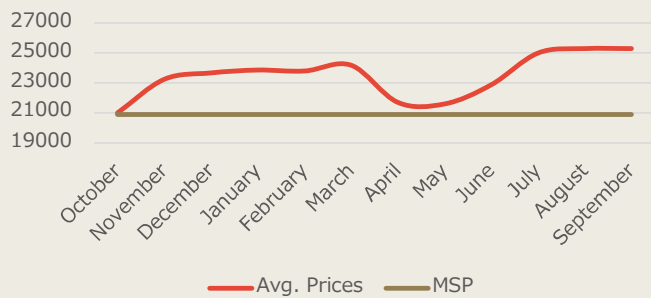
# Risks to Soyabean Sector: Double Whammy

Risk No 2: Substitution of acreage under Soyabeans with Maize

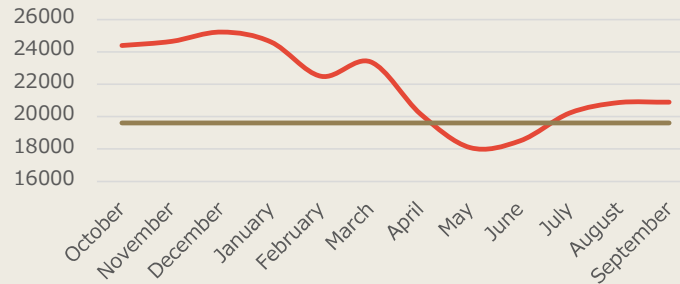
- Maize prices have risen sharply in recent years, and the premium over MSP is expected to increase. Soybean has failed to fetch MSP.

## Monthly Average Maize Prices (Gulabagh, Bihar) vs MSP INR PMT

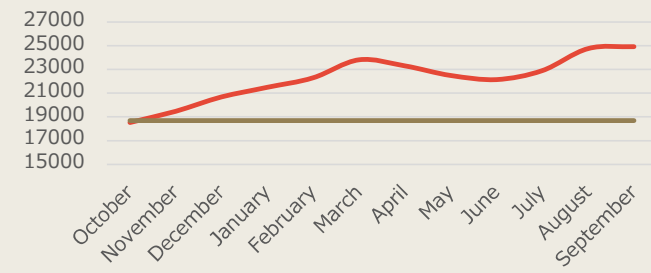
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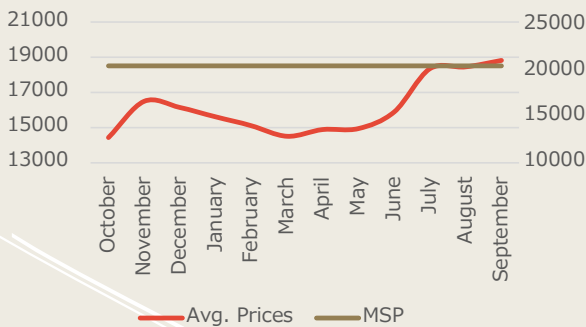
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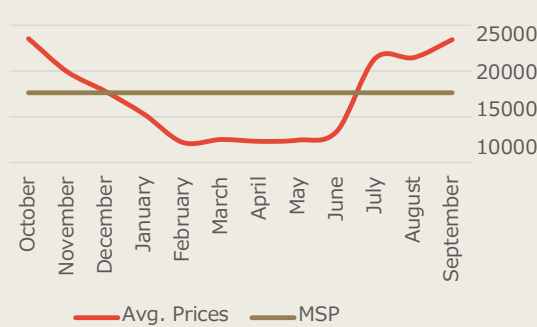
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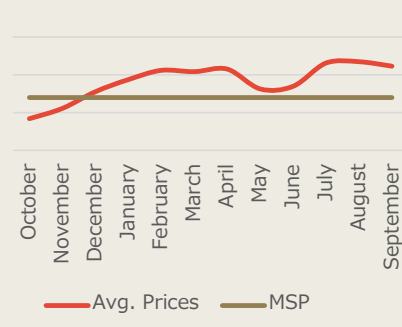
2020-21



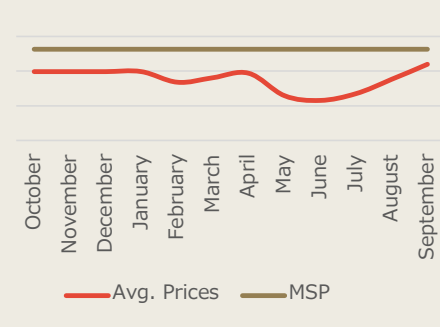
2019-20



2018-19



2017-18



# Comparative economics of Maize vs Soybeans

State	Income from soyabean @ MSP				Income from Maize @ MSP				Gain by shift to Maize		
	Beans		Fodder		Maize		Fodder			Income from one Ha	
	Yield	Price/mt	Yield	Price/mt		Yield	Price/mt	Yield	Price/mt		
MP	0.97	48920	0.50	2000	48452.4	3.20	22250	3.20	2000	77600	29147.6
Maharashtra	1.34	48920	0.67	2000	66892.8	2.90	22250	1.34	2000	67205	312.2
<p><b>Soybean can loose acreage to Maize very fast as it is uable to command MSP.</b></p>											
	Yield	Price/mt	Yield	Price/mt		Yield	Price/mt	Yield	Price/mt		
MP	0.97	43000	0.5	2000	42710	3.2	22500	3.2	2000	78400	<b>35690</b>
Maharashtra	1.34	43000	0.67	2000	58960	2.9	24000	1.34	2000	72280	<b>13320</b>



# Thank You

## Acknowledgments

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Greenleaf

