

**GOVERNMENT OF INDIA  
MINISTRY OF COOPERATION**

**LOK SABHA  
UNSTARRED QUESTION NO. 3723  
TO BE ANSWERED ON 12<sup>th</sup> AUGUST 2025**

**Cooperatives for Ethanol Production**

**3723 Shri Rajesh Verma:  
Shri Ravindra Dattaram Waikar:  
Dr. Shrikant Eknath Shinde:  
Smt. Shambhavi:  
Shri Naresh Ganpat Mhaske**

Will the Minister of COOPERATION (सहकारिता मंत्री) be pleased to state:

- (a) the details on the policy framework and expected economic benefits for cooperative societies initiative by Oil Marketing Companies (OMCs) to prioritize cooperatives for ethanol production;
- (b) whether this initiative is expected to strengthen rural economies and empower farmers by providing them with an additional revenue stream, and if so, the details thereof;
- (c) the anticipated impact of this initiative on India's ethanol blending program, energy security, and reduction in fossil fuel dependency; and
- (d) the measures undertaken to support cooperatives in enhancing their ethanol production capacity, including financial assistance, infrastructure development, and technological support?

**ANSWER**

**THE MINISTER OF COOPERATION  
सहकारिता मंत्री (SHRI AMIT SHAH)**

(a) to (d): Sugar industry is one of the largest agri-based processing industries in India. There are 5 crore sugarcane farmers (Ganna Kisan) and their dependents associated with this industry. Sugar, by its value addition character, has made itself a very powerful tool of economic and social development in the rural areas of the country. The industry being located in rural areas, is closely associated with the economic welfare of the farmers and related rural population.

There are 229 functional Cooperative Sugar Mills across the country (Source: NCD portal). They collectively contribute around 30% of the total sugar produced in India. However, CSMs faced various financial issues, which, inter alia, included servicing the existing term loans and working capital loans. Therefore, in order to increase their viability, it is necessary that they generate additional revenue from the production of ethanol, which will increase their profitability.

The National Policy on Biofuels – 2018, as amended in 2022, inter-alia advanced the target of 20% blending of Ethanol in petrol (EBP-20) from 2030 to Ethanol Supply Year (ESY) 2025-26. To achieve this target, Public Sector Oil Marketing Companies (OMCs) would need 1120 crore litres of ethanol.

In order to enable CSMs to participate in the EBP-20 by way of supplying ethanol to OMCs, the Ministry of Cooperation launched the scheme, namely “*Grant-in-aid to National Cooperative Development Corporation (NCDC) for strengthening of Cooperative Sugar Mills (CSMs)*”. Under this scheme one time grant of Rs.1000.00 crore was provided to NCDC in two installment of Rs.500.00 crore each in FY 2022-23 & FY 2023-24 for the purpose of borrowing additional fund from the market for providing loans to the tune of Rs.10,000 crore to CSMs for setting up of Ethanol plant/Cogeneration plant and for meeting their working capital requirement or all three.

While the above scheme aims to provide financial support for setting up new ethanol plants by CSMs, the availability of raw material i.e., molasses and sugar syrup for the production of ethanol is limited by many factors viz, Government Policy on diversion of sugarcane syrup, B heavy molasses for production of ethanol and duration of sugar cane crushing season and availability of sugarcane depending on rainfall etc. On account of the limiting factors, the CSMs having ethanol plants are not able to operate at their full capacity.

In order to overcome these challenges and ensure year-round operation of distilleries, the Ministry of Cooperation has undertaken an initiative for conversion of existing molasses-based ethanol plants into multi-feedstock ethanol plants. The conversion of molasses-based ethanol plants to multi-feedstock ethanol plants will reduce the sector’s dependence on seasonal sugarcane-based feedstocks and allow greater flexibility in using alternate raw materials such as grains, damaged food grains, and agricultural residues.

In order to enable the conversion of CSMs having ethanol distilleries into multi-feed ethanol distilleries, the Government is providing the following financial assistance:

- (i) NCDC will provide financial assistance in the ratio of 90:10, wherein the society has to raise only 10% of the project cost and 90% of the project cost will be provided by NCDC, subject to the technical viability of the project.
- (ii) Department of Food and Public Distribution (DFPD) is implementing a scheme with a financial outlay of ₹300 crore to provide interest subvention to CSMs for converting their existing sugarcane-based ethanol units into multi-feedstock-based ethanol units (using grains such as maize and rice).
- (iii) Cooperative sugar mills availing the benefit of interest subvention under above scheme of DFPD will be given Priority-1 by OMCs to facilitate their transition from single-feed ethanol plants to multi-feed ethanol plants.

The above initiative will not only contribute to a cleaner fuel mix and reduction in carbon emissions but also support import substitution of petroleum products, thereby improving the country's energy self-reliance. Furthermore, it strengthens rural economies by enhancing the economic viability of cooperative sugar mills and providing additional income opportunities for farmers.

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