

The Essential Commodities Act was enacted by the parliament in 1955. The Act is used by the Government to manage and regulate the production, supply and distribution of essential commodities order to make them available to consumers at fair prices. The supply of these commodities when obstructed can affect the normal life of the people.

The Govt Included **masks and hand sanitizers** under the Essential Commodities Act. The government's order came **due to the reports of a shortage of these commodities** and a sudden and sharp spike in their prices because of alleged hoarding of stocks by manufacturers. The **recent coronavirus pandemic** (COVID-19) triggered panic for buying of masks and hand sanitizers at many places in India.

Essential Commodities Act: Major Features; Benefits; Needs; Why Act is termed as Outdated; Conclusion

Major Features of the Act:

- **The list of items that comes under the Act include fertilizers, drugs, edible oils and pulses, petroleum, and petroleum products.**
- **The Centre govt can include** new commodities as and when the need arises **and exclude them from** the list once the situation gets improved.
- Under the Act, the govt can **also fix the** maximum retail price (**MRP**) of any **packaged product** that is declared as an “essential commodity”.
- **Under the Essential commodities Act, powers of the Central Government have already been delegated to the States by way of orders from 1972 to 1978. The States/UTs may take action against the offenders.**

Benefits of the Essential Commodities Act:

- When the Centre came to know that the supply of a certain commodity is short due to which its price is spiking, it puts **stock-holding limits** on it for a specified period.
- **The States then specify limits and take steps to ensure its implication.**
- Anybody (**wholesalers, retailers or even importers**) who is trading or dealing in the commodity are **prevented from stockpiling** it beyond a certain quantity.
- A **State may also choose not to impose any restrictions.** But once the state chooses to impose any restrictions, traders have to immediately sell into the market any stocks held beyond the mandated quantity.

Why Essential commodities Act is essential for the welfare of consumers:

- The ECA **protect** the consumers **against irrational spikes in prices** of essential commodities.
- The Government has invoked this Act many times to **ensure adequate supplies**.
- It **discourages hoarders and black-marketeers** of such commodities.
- The Act empowers the State agencies to conduct raids so that the **defaulters can be punished** and the excess stocks are auctioned or sold through fair price shops.

Why there is a need to make Balance between genuine stock build-up and speculative hoarding:

Generally, most of the **crops are seasonal** so ensuring round-the-clock supply requires an adequate build-up of stocks during the season. Thus it may **not be possible to differentiate between genuine stockpiling and speculative hoarding**. Also, there can be genuine shortages due to weather-related disruptions because of which the prices will move up. So **if prices are always monitored, the farmers may have no incentive to grow that crop**.

With too-frequent stock limits, **traders may have no reason to invest** in better storage infrastructure. On the other hand, food processing industries need to maintain large stocks to run their operations smoothly. Hence Stock limits may curtail their operations. In such a situation, **large scale private investments are unlikely to flow into food processing and cold storage facilities**.

Why the act is Termed as outdated:

- **In 2019**, the Centre invoked Essential commodities Act provisions and impose **stock limits on onions after heavy rains** wiped out a quarter of the Kharif crop and led to a sustained spike in prices.
- The restrictions on both the retail and wholesale traders were meant to **prevent hoarding and enhance supply in the market**, But the **Economic Survey (2019-20) states that** there was an **increase in price volatility** of the commodities and a **widening gap between wholesale and retail prices**.
- It is because of the fact that the **ECA act fails to differentiate between hoarding and Storage**.
- Thus this Act **disincentivizes the development of storage infrastructure** which may lead to increased volatility in prices.

- **The report states that the ECA was enacted in 1955 when the economy was ravaged due to famine and food shortages. The government needs to note that today's scenario is much more different.**

Conclusion:

Without the Essential commodities Act, the consumers would be at the mercy of opportunistic traders and shopkeepers. Thus the commodities which qualify as 'essential' are not subjected to unfair profiteering. The Act also empowers the government to control prices of such commodities directly and Thus ensure the welfare of the consumers.

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