

Essential Commodities Act (ECA) 1955

What is Essential Commodities Act?

Essential Commodities Act is an act that enable the government to control the prices of the essential commodities for the consumer benefits. As per the act, the essential commodities can be defined as any commodity which is specified in the Schedule. It includes-

- Seeds for vegetables and fruits
- Petroleum
- Oilseeds
- Cereals
- Edible oils
- Fertilizers
- Pulses.

Features of the Essential Commodities Act

Once the limit is decided and published, the States get into action to ensure that no wholesaler, retailer, importer, or exporter accumulates the commodities beyond the specified limit. If a state decides to add prohibitions, it can take action by punishing wholesalers, retailers, shopkeepers, and the like, who do not obey the limit and hoard commodities. The state government can take the help of the police to conduct raids and auction surplus goods.

The major features of the Essential Commodities Act enacted by the parliament to govern India's production, supply, and distribution of essential commodities are as under-

- The items under the Act include fertilizers, drugs, edible oils and pulses, petroleum, and petroleum products.
- The Centre government can include new commodities when needed and exclude them from the list once the situation improves.
- Under the Act, the government can also fix the maximum retail price (MRP) of any packaged product declared 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.

Essential Commodities Act News

In May 2020, the Finance Minister of India, Smt. Nirmala Sitharaman announced that the government would amend the Essential Commodities Act of 1955 to be implemented only during extraordinary circumstances like famine or war. The Finance Minister proposed to remove the stock limit for supply chain owners, processors, and exporters, besides stopping the punitive measures. Moreover, the action plans to deregulate commodities like pulses, potatoes, cereals, onion, oilseeds, and edible oils to allow farmers to seek better prices.

The government initially promulgated the Essential Commodities (Amendment) as an Ordinance on 5th June 2020. The Lok Sabha finally cleared the Essential Commodities (Amendment) Act on 15th September and Rajya Sabha on 22nd September 2020 as part of the Indian Agricultural Acts (Farm Bills) 2020. President Ram Nath Kovind approved the act on 27th September 2020.

Need for Essential Commodities Act

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 the prices of such commodities directly and thus ensure the welfare of the consumers.

The framing of the Essential Commodities Act was one of the most demanded acts for the welfare of the consumers. The following benefits were called up for the introduction of the Act-

- There was a risk of irrational spikes in essential commodities's prices. So, the ECA was introduced. This granted protection to the consumers against such hikes.
- At times, to ensure the adequate supply of goods, the Act has been invoked by the Government.
- The Act stands against the Black-market practitioners and hoarders that hamper the smooth working of the market.
- Because of the act introduced, the State agencies have the power to conduct the raids in order to catch the defaulters and subject them to harsh punishments. The act also empowers the agencies to sell the raid goods via shops with fair prices or in some scenario, the excess stocks can be auctioned.

There was a need to make a balance between genuine stock build-up and speculative hoarding. In India, the crops are seasonal. So, in order to maintain the all time supply of goods it is required to store the stocks in adequate amount during the season. However, this makes it difficult to differentiate between the speculative hoarding and genuine stockpiling. Not only the shortage because of being in the off-season but the bad weather conditions also contribute to the hike in prices. If the prices for such crops are monitored regularly, it would be difficult for the farmers to grow such crops.

Also, the traders may find it inconvenient to invest in a better storage infrastructure if the stock limit is too-frequent. Perhaps the industries dealing with the food processing are required to maintain an adequate amount of stock (usually larger than required) so as to work smoothly. In such a scenario, the private investments on a large scale are hard to flow into cold storage facilities or food processing.

Essential Changes under Essential Commodities Amendment Act

Through the Essential Commodities Amendment Act 2020, the government introduced the following changes:

- Remove commodities like onion, potato, cereals, edible oil, oilseeds, etc., from the Essential list except in extraordinary circumstances like famine, war, natural calamities, etc.
- The regulations will depend on the market conditions and spurt in prices. For example, if the prices of horticulture produce increase by 100% or non-perishable agricultural food items increase by 50%, the government may invoke the act's provisions to regulate the prices.
- Food stocks for common distribution will be devoid of any restrictions.
- Create a competitive agricultural market.
- Reduce agri-waste by investing in cold storage facilities.

- Offer stable prices to farmers.

Issues Regarding the Essential Commodities (Amendment) Act

Though the act benefited the consumers in plenty of ways, we cannot deny the issues generated by the act. The issues regarding the act are as follows-

- ECA's new amendment makes the State to be unable to regulate the black market practices and hoardings.
- The doorways to the black market can be opened.

