

Essential Commodities Act

The Essential Commodities Act (ECA) was a Parliamentary act which governed the delivery and supply of commodities or products, whose obstruction could affect the lives of the common people to a great extent.

The act was modified through the Essential Commodities (Amendment) Act, 2020 as part of the 2020 Indian Agricultural Acts (Also known as Farm Bills)

This article will give further details about the Essential Commodities Act within the context of the IAS Exam.

Details of the Essential Commodities Act

The Essential Commodities Act came into force in 1955 and has been used to manage the supply, distribution and production of commodities termed as 'essentials'. In this way the government makes these commodities available for consumption at acceptable prices. A minimum support price can also be fixed by the government should it deem it necessary

The list of commodities included under the ECA are as follows:

- Fertilizers
- Pulses
- Edible Oil
- Cereals
- Oilseeds
- Petroleum and allied products
- Seeds of fruits and vegetables

***Note:** In the wake of the COVID-19 outbreak, Masks and Sanitizers also became listed under the ECA

In the event of a commodity's supply becoming short and its price increasing as a result, then the Centre can set stock holding limits for a specific period. Once the limit is set, the States will ensure that adequate steps are taken to ensure the guidelines are followed by preventing wholesalers, retailers, importers etc from accumulating a commodity beyond the specified quantity.

It is however at the discretion of the State to impose any form of restrictions. But should restrictions be imposed then the State will punish any errant shopkeeper and traders who indulge in blackmarket practices by conducting raids and auctioning of the excess goods.

Changes under the Essential Commodities (Amendment) Act 2020

It was announced in May 2020 by Finance Minister Nirmala Sitharaman that the ECA would be further amended to be only be implemented under extraordinary circumstances like war or famine.

This was taken in light of strides in agricultural productivity made in the ensuing decades.

The Essential Commodities (Amendment) was passed in the Lok Sabha on 15 September 2020, while it was passed by the Rajya Sabha on 22 September 2020. It received approval from the President Ram Nath Kovind on 27 September 2020.

The amendment has brought about the following changes:

- It allows the government to remove few commodities termed as 'essential', provided there was no special circumstance at play (war, famine, natural calamities etc)
- Future regulations would be based on the trajectory of rising prices. They would come into effect should there be a 100% rise in price for horticulture produce. While for non-perishable agricultural food items, the limit is set to 50% increase
- Food stocks meant for common distribution will not be subjected to any form of restriction.

In addition to these changes the following benefits would also be brought about by the ECA Amendment:

- Creation of a competitive agricultural market and prevention of agri-waste due to increased investment in cold-storage facilities
- Bringing price stability for farmers.

Issues Regarding the Essential Commodities (Amendment) Act 2020

The Essential Commodities (Amendment) Act 2020 has also its fair share of issues. They are as follows:

- The new amendment to the ECA is believed by critics to infringe on State's powers as they will be unable to regulate hoarding and black market practices.
- The stock limit relaxations under the ECA may lead to black marketing and hoarding rather than benefiting the producers. This will lead to increase in inflation and monopoly of few individuals over prices of certain goods.

Despite these issues, the amendment to the ECA, 1955, was long due as the act was passed at a time when India was not self-sufficient enough to feed its growing population. Six decades hence, the scenario has changed and the Essential Commodities Amendment Act may actually help in increasing farmer's income and improve ease of doing business.