All about the Commodities Act

What is the issue?

The stock limit imposed on all pulses under the Essential Commodities Act, 1955 and the import by the government affects better rate for Tur dal in the Marathwada districts where the production is hit by at least 20%.

What is the status of pulse prices?

- The retail prices of pulses were substantially stabilized in the past five months from June 2021.
- The Consumer Price Index (CPI) inflation for pulses has also seen a consistent decline during the last five months from 10.01% in June to 5.42 % in October.
- The government cites that the import of Tur, Urad, and Moong dal is attributed to price stability but they incur heavy costs to farmers.
- When the government goes for imports, prices in the market collapse and the possibility of farmers getting a higher price for the produce gets affected.
- Since the farmers do not have storage capacity beyond a limit, they sell the produce at a price where even production cost is not recovered.

What is the Essential Commodities Act about?

The Ministry of Consumer Affairs, Food and Public Distribution implements the Act.

- **Essential Commodities Act, 1955** has given the Government the powers to regulate the production, supply and distribution of essential commodities.
- The Centre can notify an item as ‘essential’ commodity and by that declaration it can also impose a stock limit.
- **The Essential Commodities (Amendment) Act, 2020** removes restrictions on stocking of certain essential commodities.
- It provides that the central government can regulate the supply of food stuff only under extraordinary circumstances such as war, famine,

exceptional price rise and grave natural calamities.

- It further specifies that stock limit can only be imposed if there is 50% rise in retail price of non-perishable agricultural foodstuff over the price prevailing in the preceding 12 months or average retail price of last 5 years, whichever is lower.
- It also provides that if a stock limit is imposed, it will not apply to a processor or value chain participant or an exporter.
- It gives the freedom to produce, hold, move, distribute and supply that will attract private sector or foreign direct investment into agriculture sector.

What were the concerns of the amendment?

- There were fears that this will give the traders freedom to purchase and store any quantity, hence indulging in hoarding.
- It was alleged that it will lead to complete market domination by big compaines which would dictate terms to farmers.
- This law might affect the urban and rural poor consumers who get grains under Public Distribution System (PDS).

How to achieve better pricing for the produce?

- A stock facility is essential to avoid post-harvest waste and price crashes during the bumper crop.
- The government must invest or allow the private players to invest in order to boost the agriculture sector.

Reference

1. https://www.thehindubusinessline.com/economy/agri-business/bl-special-what-is-essential-about-the-commodities-act/article37677244.ece

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