Essential Commodities Act, 1955 – Recent Invocation and Policy Significance

Mains: *GS II – Governance| GS III – Economy*

Why in News?

Recently, the Union government once again invoked the provisions of the Act amid a global energy crisis, highlighting the continued relevance of the legislation in responding to extraordinary economic situations.

What is the recent invocation?

- **March 2026 LPG Supply Order** – On March 5, 2026, the Centre invoked the Essential Commodities Act following an oil supply disruption triggered by geopolitical tensions involving strikes by Israel and the United States on Iran.
- Under this order, oil refining companies were directed to maximise production of Liquefied Petroleum Gas (LPG) and ensure that it is made available exclusively for domestic consumers.
- The government specifically named the three major public sector Oil Marketing Companies (OMCs):
  - Indian Oil Corporation
  - Hindustan Petroleum Corporation Limited
  - Bharat Petroleum Corporation Limited
- These companies collectively supply LPG to around 99% of domestic households in India.
- **Key Provisions of the Order**
  - The government directed OMCs to prioritise the utilisation of propane and butane streams for LPG production.
  - Refineries were prohibited from diverting propane or butane to petrochemical manufacturing.
  - LPG production must be directed exclusively toward domestic consumption.
- The order invoked Clauses 3 and 5 of the Essential Commodities Act, which empower the Centre to regulate production, supply, and distribution of essential commodities.
- The directive came into force immediately and will remain effective until further orders.

What is the purpose and scope of the essential commodities act?

- **Purpose & scope** – The Essential Commodities Act, enacted in 1955, allows the government to:

    - Regulate production and supply of essential goods
    - Control distribution and pricing
    - Impose stock limits to prevent hoarding
    - Ensure equitable availability of key commodities
- The Act has been widely used to stabilise prices of food items such as cereals, pulses, sugar, and edible oils during periods of inflation or supply disruptions.
- **The 2020 Amendment to the Act** – In 2020, Parliament amended the Essential Commodities Act with the aim of liberalising agricultural markets and encouraging private investment in storage and supply chains.
- **Key commodities –** The amendment deregulated stock limits on key agricultural commodities such as:
    - Cereals
    - Pulses
    - Potatoes
    - Onions
    - Edible oilseeds and edible oils
- **Restrictions** – However, the government retained the power to impose restrictions under extraordinary circumstances, including:
    - War
    - Famine
    - Natural calamities of grave nature
    - Extraordinary price rise
- **Threshold** – The amendment also introduced specific thresholds for imposing stock limits:
    - 100% increase in retail price of perishable horticultural produce
    - 50% increase in retail price of non-perishable food items
- Last Invocation Before 2026: Wheat Stock Limits in August 2025
- The Centre last invoked the Act on August 26, 2025, to control rising wheat prices ahead of the festive season.
- The government revised stock limits as follows:
    - **Traders and wholesalers** – Reduced from 3,000 MT to 2,000 MT
    - **Retailers** – Reduced from 10 MT to 8 MT
    - **Processors** – Limited to 60% of Monthly Installed Capacity (MIC), down from 70%
- These restrictions were imposed as part of the government's price moderation strategy ahead of the festive season, particularly before Deepavali and the Bihar Assembly elections scheduled for October–November 2025.
- The limits are set to remain in force until March 31, 2026.

What are the major invocations of the act since 2020?

- **April 2020: During the COVID-19 Lockdown** – During the nationwide lockdown imposed to control the spread of COVID-19, the Centre invoked the Act and urged states to do the same.
- The objective was to:
    - Ensure availability of essential commodities
    - Prevent hoarding and black marketing

    - Stabilise prices during supply disruptions caused by labour shortages and transport restrictions.
- **September 2020: Legislative Amendment** – As the economy began reopening after the lockdown, Parliament amended the Essential Commodities Act.
- This was done to deregulate stock limits and promote agricultural investment, while retaining emergency powers for the government.
- **May 2022: Sugar Export Cap** – To maintain domestic supply and price stability, the government capped sugar exports at 10 million tonnes until September 2022.
- The decision followed record sugar exports during the 2020–21 season, which reached 7 million tonnes, significantly higher than 5.96 million tonnes in 2019–20.
- **August 2022: Monitoring Tur Dal Stocks** – Amid rising prices of tur dal, the Centre directed states to monitor and verify stocks held by traders.
- The price increase was attributed to slow kharif sowing due to excessive rainfall and waterlogging in major producing states such as Karnataka, Maharashtra, and Madhya Pradesh.
- At that time, retail inflation had remained above 7% since April 2022.
- **September 2023: Wheat Stock Limits** – The government imposed stock limits on wheat to curb artificial scarcity created by hoarders.
- Traders, retailers, processors, and large retail chains were required to:
    - Register on the wheat stock limit portal
    - Report stock positions weekly
    - Reduce stock holdings exceeding prescribed limits.
- **December 2023: Further Tightening of Wheat Limits** – As wheat and wheat flour (atta) prices remained elevated in several regions, the Centre further tightened stock limits:
    - Traders and wholesalers: reduced to 1,000 MT
    - Retailers: reduced from 10 MT to 5 MT
    - Processors: reduced from 75% to 70% of MIC
- The government justified these measures on the grounds of ensuring national food security and price stability.

What lies ahead?

- Despite attempts to liberalise agricultural markets through the 2020 amendment, the Essential Commodities Act continues to remain a critical policy tool for crisis management.
- Whether addressing food inflation, hoarding, supply disruptions, or energy shortages, the Act enables the government to intervene swiftly in markets to safeguard consumer interests and maintain national economic stability.
- The recent invocation in March 2026 to prioritise LPG supply underscores the Act's continuing relevance in managing both food and energy security challenges in an increasingly uncertain global environment.

Reference

[The Hindu| Essential Commodities Act]



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