

## Essential Commodities (Amendment) Bill, 2020

### Why in news?

The Essential Commodities (Amendment) Bill, 2020 that seeks to amend the Essential Commodities (EC) Act, 1955, was passed by Rajya Sabha.

### What is the EC Act, 1955?

- Section 3(1) of the Act gives the Government the powers to regulate the production, supply and distribution of essential commodities.
- The Centre can notify an item as 'essential' commodity.
- By declaring a commodity as essential, the government can also impose a stock limit.
- The Ministry of Consumer Affairs, Food and Public Distribution implements the Act.

### What is the Bill about?

- This Bill seeks to introduce a new Subsection (1A) in Section 3.
- It aims to deregulate commodities such as cereals, pulses, oilseeds, edible oils, onion and potatoes.
- It takes these items out from the purview of Section 3(1).
- The Bill states that such order for regulating stock limit shall not apply to processors and value chain participant of any agricultural produce under a condition.
- Such order shall not apply if the stock limit does not exceed the overall ceiling of installed capacity of processing, or the demand for export.

### What will happen after the amendment?

- After the amendment, the supply of certain foodstuffs can be regulated only under extraordinary circumstances.
- These circumstances include an extraordinary price rise, war, famine, and natural calamity of a severe nature.

### How is an 'essential commodity' defined?

- There is **no specific definition** of essential commodities in the Essential Commodities Act, 1955.

- **Section 2(A)** states that an “essential commodity” means a commodity specified in the Schedule of the Act.
- As per the Act, the Centre, if it is satisfied, can add or remove an item as ‘essential’ commodity, in consultation with state governments.
- Currently, there are seven commodities in the Schedule.
- The list of items under the Act includes drugs, fertilisers, pulses and edible oils, and petroleum and petroleum products.

### **Under what circumstances, stock limits can be imposed?**

- The 1955 Act did not provide a clear framework to impose stock limits.
- But, the amended Act provides for a price trigger.
- It says that agricultural foodstuffs can only be regulated under extraordinary circumstances.
- However, any action on imposing stock limits will be based on the price trigger.
- Exemptions from stock limits will be provided to value chain participants of agricultural produce, and orders relating to the Public Distribution System.
- Price triggers will also minimise the earlier uncertainties associated with the imposition of orders under stock limits.

### **Why was the need for this felt?**

- The 1955 Act was legislated when India was facing a scarcity of foodstuffs due to persistent low levels of foodgrains production.
- India was dependent on imports and assistance to feed the population.
- To prevent hoarding and black marketing of foodstuffs, the EC Act was enacted in 1955.
- But now the situation has changed.
- The production of wheat, rice and pulses has increased 10 times, 4 times and 2.5 times respectively between 1955-56 and 2018-19.
- In fact, India has become an exporter of several agricultural products.

### **What will be the impact of the amendments?**

- The key changes seek to free agricultural markets from the limitations imposed by permits and mandis that were designed for an era of scarcity.
- The move is expected to attract private investment in the value chain of commodities removed from the list of essentials.
- The Act has become a hurdle for investment in the agriculture sector in general, and in post-harvesting activities in particular.
- The private sector had so far hesitated about investing in cold chains and storage facilities for perishable items.

- This hesitation is due to the fact that most of these commodities were under the ambit of the EC Act, and could attract sudden stock limits.
- The amendment seeks to address such concerns.

### **Why is it being opposed?**

- This was one of the three ordinances/Bills that have seen protests from farmers in parts of the country.
- The Opposition says the amendment will hurt farmers and consumers, and will only benefit hoarders.
- They say the price triggers envisioned in the Bill are unrealistic — so high that they will hardly ever be invoked.

**Source: The Indian Express**

