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

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