



Essential Commodities Act of 1955

For Prelims: Essential Commodity, Essential Commodities Act

For Mains: Issues Related to Essential Commodities Act 1955

Why in News?

Recently, the **Ministry of Consumer Affairs, Food and Public Distribution** has invoked the **Essential Commodities Act of 1955** to curb tur dal prices surging.

- States and Union Territories are asked to **direct 'stockholder entities to upload the data of stocks held by them'** on an online monitoring portal of the Department of Consumer Affairs, on a weekly basis.

Why Invoking the Act?

- Tur prices have risen since mid-July 2022 **amid slow progress in Kharif sowing** as compared to last year 2021 due to **excess rainfalls and water logging conditions in parts of major Tur growing states** of Karnataka, Maharashtra and Madhya Pradesh.
- To **control any unwarranted price rise in the upcoming high demand festival months**, the government is taking pre-emptive steps to ensure overall availability and controlled prices of pulses in the domestic as well as overseas markets.
- To **limit attempts by some sections of traders and stockists to push the price for Tur dal upwards**, by resorting to 'restricted sales' and **creating an Artificial Scarcity**.
 - **Artificial Scarcity** is the **purposeful limitation of production** of particular products (or services) in order **to raise prices and / or demand**.

What is the Essential Commodities Act 1955?

- **Background:**
 - The ECA Act 1955 was **legislated at a time when the country was facing a scarcity of foodstuffs** due to persistent low levels of foodgrains production.
 - The country was dependent on imports and assistance (such as wheat import from the US under PL-480) to feed the population.
 - To prevent **hoarding and black marketing of foodstuffs, the Essential Commodities Act was enacted in 1955**.
- **Essential Commodity:**
 - There is **no specific definition** of essential commodities in the Essential Commodities Act, 1955.
 - Section 2(A) of the Act states that an **"essential commodity" means a commodity specified in the Schedule of the Act**.
- **Legal Jurisdiction:**
 - The Act **gives powers to the central government** to add or remove a commodity in the Schedule.

- The Centre, if it is satisfied that **it is necessary to do so in the public interest, can notify an item as essential**, in consultation with state governments.
- **Objective:**
 - The ECA 1955 is used to **curb inflation by allowing the Centre to enable control by state governments of trade** in a wide variety of commodities.
- **Impact:**
 - By declaring a commodity as essential, the government **can control the production, supply, and distribution** of that commodity, and impose a stock limit.

What are the Issues Related to Essential Commodities Act 1955?

- The **Economic Survey 2019-20** highlighted that **government intervention under the ECA 1955 often distorted agricultural trade** while being totally ineffective in curbing inflation.
- Such intervention **does enable opportunities for rent-seeking and harassment**.
 - Rent-seeking is a term used by **economists to describe unproductive income, including from corruption**.
- Traders tend to buy far less than their usual capacity and farmers often suffer huge losses during surplus harvests of perishables.
- This led to **farmers being unable to get better prices** due to lack of investment in cold storage, warehouses, processing and export.
- Owing to these issues, the Parliament passed the **Essential Commodities (Amendment) Bill, 2020**.
 - However, due to farmers' protest the Government had to repeal this law.

Way Forward

- The ECA 1955 was brought when India was not self-sufficient in food grains production. However, now India has become surplus in most agri-commodities, and the amendments in the ECA 1955 is an important step by the government to achieve its target of doubling farmers' income and also for ease of doing business.

Source: TH

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