

# Amendment to Essential Commodities Act

June 24, 2020

The Essential Commodities Act was enacted in 1955 when the country faced shortages of food items. This legislation allowed the government to declare several items as essential commodities, and thus regulating their production, supply and distribution. The last economic survey had made a case for removal of this law as this had done more harm now, when the country has surplus food items. This legislation has been misused and often resulted in increase of prices.

## Amendments to the Act

The Union Cabinet approved 2 ordinances:

**The Farmers (Empowerment and Protection) Agreement on Price Assurance and Farm Services Ordinance, 2020** enables farmers' engagement with large processors, aggregators, wholesalers, large retailers and exporters.

- While India has become surplus in most agricultural commodities, farmers have been unable to get better prices due to lack of investment in cold storage, processing and export as the entrepreneurial spirit gets dampened due to the hanging sword of Essential Commodities Act.
- **Farmers suffer huge losses when there are bumper harvests of perishable commodities.** With **adequate processing facilities**, much of this wastage can be reduced.
- The amendments will allow storage of the farm produce for a longer period, and in turn help the agro industry and the farmers.
- **The Farming Produce Trade and Commerce (Promotion and Facilitation) Ordinance, 2020** promotes barrier-free

inter-state and intra-state trade and commerce outside the physical premises of markets notified under State Agricultural Produce Marketing legislations.

- The ordinance will help farmers of regions with surplus produce to get better prices and consumers of regions with shortages, lower prices.
- The cabinet also cleared an amendment to the Essential Commodities Act, to **remove commodities such as cereals, pulses, oilseeds, edible oil, onion and potatoes from the list of essential commodities**. This will lift any restrictions on stocking these commodities by processors, millers, importers, exporters and traders.
- The freedom to produce, hold, move, distribute and supply will lead to harnessing economies of scale and attract private sector/foreign direct investment into the agriculture sector. It will help drive up investment and modernisation of the food supply chain.
- Farmers will also get access to technology and advice for high value agriculture and get a ready market for such produce.

[continuation of <https://www.manifestias.com/2019/09/09/contract-farming-exempted-from-limits-under-the-essential-commodities-act/>]

**Source: The Week, Live Mint**