

# Bill Summary

## The Essential Commodities (Amendment) Bill, 2020

- The Essential Commodities (Amendment) Bill, 2020 was introduced in Lok Sabha on September 14, 2020. The Bill replaces the Ordinance promulgated on June 5, 2020 to amend the Essential Commodities Act, 1955. The Act empowers the central government to control the production, supply, distribution, storage, and trade of essential commodities. The Bill seeks to increase competition in the agriculture sector and enhance farmers' income. It seeks to provide that stock limits on agricultural produce can be applied only in extraordinary circumstances based on price rise.
- **Regulation of food items:** The Act empowers the central government to notify certain commodities (such as food items, drugs, fertilisers, and petroleum products) as essential commodities. The central government can regulate or prohibit the production, supply, distribution, and trade of such essential commodities under the Act. The Bill provides that the central government can regulate the supply of certain food items (as may be notified), including cereals, pulses, potato, onions, edible oilseeds, and oils, only under extraordinary circumstances. Such circumstances include: (i) war, (ii) famine, (iii) extraordinary price rise, and (iv) natural calamity of grave nature.
- **Imposition of stock limit:** The Act empowers the central government to regulate the stock of an essential commodity that a person can hold. The Bill specifies that stock limits should be imposed only based on price rise. A stock limit may be imposed on agricultural produce only if there is: (i) a 100% increase in the retail price in case of horticultural produce, or (ii) a 50% increase in the retail price in case of non-perishable agricultural food items. The increase will be calculated over the price prevailing twelve months ago, or the average retail price of the last five years, whichever is lower.
- **Exemption:** The Bill provides that any stock limit imposed on agricultural produce will not apply to a processor or value chain participant if the stock held by such person is less than: (i) the overall ceiling of installed processing capacity, or (ii) demand for export in case of an exporter. A value chain participant includes any person engaged in value addition to the produce at any stage, starting from production in the field to final consumption. These stages include processing, packaging, storage, transport, and distribution of agricultural produce.
- **Applicability to Public Distribution System:** The provisions of the Bill regarding the regulation of food items and the imposition of stock limits will not apply to any government order relating to the Public Distribution System or the Targeted Public Distribution System. Under these systems, food grains are distributed by the government to the eligible persons at subsidised prices.

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