

Ordinance Summary

The Essential Commodities (Amendment) Ordinance, 2020

- The Essential Commodities (Amendment) Ordinance, 2020 was promulgated on June 5, 2020. It amends the Essential Commodities Act, 1955. The Act empowers the central government to control the production, supply, distribution, trade, and commerce in certain commodities. The Ordinance seeks to increase competition in the agriculture sector and enhance farmers' income. It aims to liberalise the regulatory system while protecting the interests of consumers.
- **Regulation of food items:** The Act empowers the central government to designate certain commodities (such as food items, fertilizers, and petroleum products) as essential commodities. The central government may regulate or prohibit the production, supply, distribution, trade, and commerce of such essential commodities. The Ordinance provides that the central government may regulate the supply of certain food items including cereals, pulses, potato, onions, edible oilseeds, and oils, only under extraordinary circumstances. These 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 Ordinance requires that imposition of any stock limit on certain specified items must be based on price rise. A stock limit may be imposed only if there is: (i) 100% increase in retail price of horticultural produce; and (ii) 50% increase in the retail price of non-perishable agricultural food items. The increase will be calculated over the price prevailing immediately preceding twelve months, or the average retail price of the last five years, whichever is lower.
- The Ordinance provides that any stock limit will not apply to a processor or value chain participant of agricultural produce if stock held by such person is less than the: (i) overall ceiling of installed capacity of processing, or (ii) demand for export in case of an exporter. A value chain participant means a person engaged in production, or in value addition at any stage of processing, packaging, storage, transport, and distribution of agricultural produce.
- **Applicability to Public Distribution System:** The provisions of the Ordinance 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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