3. Essential Commodities Act (Eca), 1955- Polity

The recent 2026 oil crisis, triggered by military strikes in West Asia, has prompted the Government of India to invoke the Essential Commodities Act (ECA), 1955. This strategic move mandates that oil refineries prioritize the production of Liquified Petroleum Gas (LPG) and restrict its supply exclusively to domestic consumers to prevent a fuel shortage in Indian households.

1. Background- The Origins of Resource Control

The ECA was born out of a period of national vulnerability.

Post-Independence Food Scarcity- In the mid-1950s, India faced a massive deficit in foodgrain production, leading to severe shortages.

Dependence on Foreign Aid- The country was heavily reliant on imports, particularly wheat from the United States under the Public Law 480 (PL-480) Program.

Curbing Malpractices- To prevent traders from taking advantage of these shortages, the government needed a legal "stick" to stop hoarding and black marketing, ensuring that the limited available food reached the common man at a fair price.

2. Definitions and Key Concepts

Term	Legal/Functional Definition
Essential Commodity	The Act does not provide a specific definition. Instead, Section 2(A) defines it as any commodity currently specified in the "Schedule" of the Act.
The Schedule	A list of goods that the government can regulate. The Centre has the sole power to add or remove items from this list based on public interest.
Hoarding	The illegal practice of storing large quantities of an essential good to create an artificial shortage and drive-up prices.
Stock Limit	The maximum quantity of a commodity that a trader, wholesaler, or retailer is legally allowed to keep in their possession.

3. Key Features and Powers of the Act

Central Authority- The Central Government can notify an item as "essential" in consultation with State Governments. Once notified, the government can regulate its production, supply, and distribution.

Price Control- The government can fix the Maximum Retail Price (MRP) of any scheduled commodity to prevent inflation.

Licensing and Distribution- The Act allows the state to issue licenses for the storage and sale of goods and ensure equitable distribution through the Public Distribution System (PSU).

Penalties- Violations of the Act can lead to confiscation of stocks, fines, and imprisonment.

4. The 2020 Amendment- A Shift Toward Liberalization

To encourage investment in agricultural infrastructure, Parliament amended the Act in 2020, though its powers were retained for "extraordinary" situations.

Feature	Pre-2020 Status	Post-2020 Amendment
Regulated Items	Wide range of agri-produce regulated frequently.	Regulation of cereals, pulses, onion, potato, and oils only under Extraordinary Circumstances.
Trigger Conditions	Subjective discretion of the government.	Limited to War, Famine, Natural Calamity, or Extraordinary Price Rise.
Price Triggers	No fixed mathematical trigger.	100% rise in retail price for perishables; 50% rise for non-perishables over previous 12 months/5-year average.
Objective	Consumer protection through price caps.	Attracting private investment and FDI into cold chains and warehouses.

5. Issues and Criticisms

The Economic Survey 2019-20 highlighted that while the Act was meant to help, it often backfired-

Market Distortions- Frequent interventions disrupt the natural price discovery mechanism and discourage private players from entering the market.

Rent-Seeking- Large discretionary powers given to local inspectors often lead to corruption and harassment of honest traders.

Ineffectiveness- The survey noted that the ECA has been largely ineffective in actually controlling long-term inflation.

Impact on Farmers- During a bumper harvest (surplus), traders refuse to buy more than their "stock limit" for fear of legal action. This leads to price crashes, leaving farmers with rotting produce and heavy losses.

6. Historical Instances of Invocation

April 2020 (COVID-19)- Invoked to ensure the supply of masks, sanitizers, and food items during the national lockdown to prevent price gouging.

May 2022 (Sugar Crisis)- Export of sugar was capped at 10 million tonnes to ensure domestic availability and stable prices.

September 2023 (Wheat Scarcity)- Stock limits were reduced (from 3,000 MT to 2,000 MT) to force traders to release wheat into the market and cool down rising prices.

March 2026 (Oil Crisis)- Invoked to divert refining capacity specifically toward LPG following disruptions in Iranian oil supplies.

Source- https-//www.thehindu.com/business/Economy/essential-commodities-act-when-and-why-did-centre-invoke-it-last/article70712396.ece