

**STANDING COMMITTEE ON FOOD, CONSUMER AFFAIRS  
AND PUBLIC DISTRIBUTION (2005-06)**

**FOURTEENTH LOK SABHA**

**Ministry of Consumer Affairs, Food and Public Distribution**

**(Department of Consumer Affairs)**

**The Essential Commodities (Amendment) Bill, 2005**

**ELEVENTH REPORT**



**LOK SABHA SECRETARIAT  
NEW DELHI**

**April, 2006/ Chaitra 1928 (Saka)**

# **ELEVENTH REPORT**

**STANDING COMMITTEE ON FOOD, CONSUMER AFFAIRS  
AND PUBLIC DISTRIBUTION (2005-06)**

**FOURTEENTH LOK SABHA**

**Ministry of Consumer Affairs, Food and Public Distribution**

**(Department of Consumer Affairs)**

**The Essential Commodities (Amendment) Bill, 2005**

**Presented to Lok Sabha on 17. 5. 2006**

**Laid on Rajya Sabha on 17.5.2006**



**LOK SABHA SECRETARIAT  
NEW DELHI**

**April, 2006/ Chaitra 1928 (Saka)**

## **CONTENTS**

- (i) Composition of the Committee
- (ii) Introduction
- (iii) Report**

Chapter – I: Introductory

Chapter – II: Report

## **ANNEXURES**

- (i) The Essential Commodities (Amendment ) Bill, 2006.
- (ii) Minutes of the sitting of the Committee held on 28.2.2006.
- (iii) Minutes of the sitting of the Committee held on 20.04.2006.

**COMPOSITION OF THE STANDING COMMITTEE ON FOOD, CONSUMER AFFAIRS AND PUBLIC DISTRIBUTION – 2005-06**

Shri Devendra Prasad Yadav - Chairman

**MEMBERS  
LOK SABHA**

2. Shri A.P. Abdullakutty
3. Shri Govinda Aroon Ahuja
4. Shri Suresh Angadi
5. Shri Ranen Barman
6. Shri Alakesh Das
7. Shri Gadakh Tukaram Gangadhar
8. Shri Atma Singh Gill
9. Shri Abdul Mannan Hossain
10. Shri Jaiprakash
11. Shri Baliram Kashyap
12. Shri Avinash Rai Khanna
13. Shri Parsuram Majhi
14. Shri Zora Singh Mann
15. Shri Harish Nagpal
16. Shri Kondapalli Paidithalli Naidu
17. Shri Harikewal Prasad
18. Shri Ajit Kumar Singh
19. Shri Chandrabhan Singh
20. Shri Ramakant Yadav
21. Vacant

**RAJYA SABHA**

22. Shri T.S. Bajwa
23. Shri Nabam Rebia
24. Shri Thanga Tamil Selvan
25. Vacant
26. Vacant
27. Vacant
28. Vacant
29. Vacant
30. Vacant
31. Vacant

**SECRETARIAT**

1. Shri John Joseph - Secretary
2. Dr. (Smt.) Paramjit Kaur Sandhu - Additional Secretary
3. Shri P.K. Bhandari - Joint Secretary
4. Shri R.S. Kambo - Deputy Secretary

- 5. Shri B.S, Dahiya - Under Secretary
- 6. Shri Jagdish Prasad - Assistant Director

## INTRODUCTION

I, the Chairman of the Standing Committee on Food, Consumer Affairs and Public Distribution (2005-06) having been authorised by the Committee to submit the Report on their behalf, present this Eleventh Report on The Essential Commodities (Amendment) Bill, 2005 relating to Ministry of Consumer Affairs, Food and Public Distribution (Department of Consumer Affairs).

2. The Essential Commodities (Amendment) Bill, 2005 was introduced in Rajya Sabha on 20<sup>th</sup> December, 2005. Hon'ble Speaker referred the Bill to the Standing Committee on Food, Consumer Affairs and Public Distribution under Rule 331E of the Rules of Procedure and Conduct of Business in Lok Sabha on 9<sup>th</sup> January, 2006 for examination and report within three months i.e. upto 8<sup>th</sup> April, 2006. However, the Hon'ble Speaker had granted extension of time now to present the Report upto 8<sup>th</sup> July, 2006. The Committee invited views/suggestions of the State Governments/UTs as well as Voluntary Consumer Organizations. The representatives of the Department of Consumer Affairs deposed before the Committee on 28<sup>th</sup> February, 2006. The Committee considered and adopted the draft Report on the Bill at their sitting held on 20<sup>th</sup> April, 2006.

3. The Committee express their thanks to the representatives of Ministry of Consumer Affairs, Food and Public Distribution (Department of Consumer Affairs) for tendering evidence before the Committee and for furnishing the information/material the Committee desired in connection with the examination of the Bill.

4. For facility of reference and convenience, observations and recommendations of the Committee have been printed in bold letters in the body of the Report.

New Delhi

20 April, 2006  
30 Chaitra, 1927 (Saka)

**DEVENDRA PRASAD YADAV**  
Chairman,  
Standing Committee on Food,  
Consumer Affairs and  
Public Distribution

## CHAPTER – I

### INTRODUCTORY

#### A. Background

1.1 The Essential Commodities Act, 1955 was enacted for the control of production, supply and distribution of, and trade and commerce in certain commodities in the interest of the general public. Section 3 of the said Act empowers the Central Government to control, production, supply and distribution of Essential Commodities. It also empowers the Central Government under Clause (b) of Section 5 of the said Act to delegate the powers to make orders or issue notifications under Section 3 to a State Government or an Officer or Authority subordinate to a State Government. Consequently, several control orders were issued under the said Act. The powers under the said Act have been exercised by various Central Ministries, apart from the Ministry of Consumer Affairs, Food & Public Distribution (Department of Consumer Affairs) as also by the State Governments to whom some of the powers have been formally delegated. In the exercise of these powers, various Ministries/Departments of Government of India as well as the State Governments have issued control orders from time to time regulating production, distribution, pricing and other trading aspects in respect of the commodities declared as essential. For instance, Colliery (Control) Order, Drugs (Price Control) Order, Steel (Control) Order, PDS (Control) Order, Newsprint (Control) Order were issued by Central Ministries, from time to time, for the purpose.

#### B. Commodities declared as essential

1.1 Essential Commodities is a generic term and has not been defined under the Act. However, Section 2 (a) of the Act defines Essential Commodities as the following classes of commodities”-

- (1) Cattle fodder, including oilcakes and other concentrates;
- (2) Coal including coke and other derivatives;
- (3) Component parts and accessories of automobiles;
- (4) Cotton and woolen textiles;
- (5) Drugs;
- (6) Foodstuffs including edible oilseeds and oils;
- (7) Iron and steel, including manufactured products of iron and steel;
- (8) Paper, including newsprint, paperboard and straw board;
- (9) Petroleum and petroleum products;
- (10) Raw cotton, whether ginned or un-ginned, and cotton seed;
- (11) Raw jute;

1.2 In addition to the specific commodities listed under section 2(a), Government of India have from time to time declared various other commodities as essential in exercise of the powers under sub-clause (xi) of clause (a) under the said section which provides for any other class of commodity coming within the legislative competence of the Parliament by virtue of entry 33 in List III in the Seventh Schedule of the Constitution to be notified as an essential commodity.

### **C. Review of the list of essential commodities**

1.4 The list of essential commodities has been reviewed from time to time with reference to the production and supply of these commodities and in the light of economic liberalization. The number of items declared as essential has come down to 15 at present from 70 in the year 1989. A conference of Chief Ministers on “WTO and Agriculture” held on 21.5.2001 reviewed the provisions of the said Act in the context of removal of restrictions on movement and stocking of food and agricultural produce, wherein it was decided to form a Committee of Central Minister-in-charge of Agriculture, Commerce & Industry, Finance, Consumer Affairs, Food & Public Distribution, Rural Development and Deputy Chairman (Planning Commission) as also the Chief Ministers of Andhra Pradesh, Karnataka, Orissa, Assam, Uttar Pradesh, Punjab, Madhya Pradesh, Haryana, West Bengal, Kerala and Maharashtra. Review of the list of Essential Commodities and Control Orders to ensure free movement of agricultural produce was one of the terms of reference of the Committee. The Committee decided that the restrictions on movement of all agricultural commodities should be removed and that the said Act may continue as an umbrella legislation for the Union Government and the State Governments to use when needed but that a progressive dismantling of controls and restrictions was also required.

### **D. Removal of unnecessary restrictions from the E.C. act, 1955**

1.5 As reflected in the recommendation of the Group of Central Ministers and State Chief Ministers, it is now universally accepted that all unnecessary and redundant restrictions which distort and impede operation of market forces should be removed. Such restrictions neither benefit the producer nor the consumer. In case of agricultural commodities, such restrictions/regulations have been adversely affecting the interests of the farmers without any benefit flowing to the consumers. Moreover, the goal of a common Indian market, particularly for agricultural commodities, and promotion of agro exports and agro processing industries will be difficult to achieve unless and until trade and commerce is freed from such unnecessary and discretionary restrictions. In addition, regulations under the umbrella of the Essential Commodities Act which have no bearing on the essentiality of an item or the objective of the said Act, require to be made transparent and objective through separate legislation in case its continuance is considered necessary. After consultations with all Ministries concerned, the draft of Essential Commodities (Amendment) Bill was prepared.



## **E. Main features of the Essential Commodities (amendment) Bill, 2005**

1.6 The Draft Bill proposes to delete all the items listed in clause (a) of section 2 of the said Act and simultaneously retain only those commodities recommended for continuance by the concerned Ministries namely (i) drugs; (ii) foodstuffs including edible oilseeds and oils; (iii) fertilizer; whether inorganic, organic or mixed, (iv) petroleum and petroleum products; (v) hank yarn made wholly from cotton; (vi) raw jute and jute textile; and (vii) seeds of food-crops and seeds of fruits and vegetables, seeds of cattle fodder, and jute seeds as essential commodities which may be specified in the Schedule to the Amended Act. It is also proposed to give powers to the Central Government to add, remove or modify any essential commodity in that Schedule. However, it has been stated that the above power will be exercised by the Central Government in the public interest when there is a scarcity or non-availability of the commodity in a situation like war, natural calamities, disruption or threat of disruption of supply of such essential commodity which cannot be tackled through normal trade channels requiring Government's intervention under the said Act.

1.7 When enquired as to when the process of revision of List of Essential Commodities was initiated, the Ministry in a note furnished to the Committee stated that the process to review the list of Essential Commodities and Control Orders to ensure free movement of agricultural products was started on 21.05.2001. However, The Essential Commodities (Amendment) Bill, 2005 was introduced in Parliament on 20.12.2005. The Bill has 04 Clauses and a Schedule. The Hon'ble Speaker, Lok Sabha referred the Bill to the Standing Committee on Food, Consumer Affairs and Public Distribution on 09.01.2006 for examination and report.

1.8 Asked about the reason for delay in deciding the modalities of the Bill and the circumstances which compelled the Government to review the list of Essential Commodities and Control Orders, the Committee was informed that in pursuance to the consensus arrived at the meeting of Standing Committee of Central Ministers and Chief Ministers, the Central Government issued Notifications dated 15.02.2002 and 16.06.2003 removing restrictions on licensing, stocking and movement in respect of specified foodstuffs such as rice/paddy, wheat, edible oilseeds and edible oils etc. Similarly, 11 notified items have been deleted from the list of essential commodities vide another Notification dated 15.02.2002 and 3 more notified items have been deleted vide Notifications dated 31<sup>st</sup> March, 2004 and 25.11.2004 in pursuance to the said decision of the Standing Committee.

1.9 It was further informed to the Committee that the Standing Committee of Secretaries constituted to assist Cabinet Committee on Economic Affairs (CCEA) and Cabinet Committee on Economic Reforms ( CCER) also considered the proposal to put the Essential Commodities Act into suspended animation and to remove all restrictions on inter state movement of commodities. But as the Ministry of Law opined that the Act can not be put into suspended animation, the Committee decided that efforts should now be directed towards (i) identifying more

commodities to be deleted from the list of essential commodities under the Act and (ii) reviewing the remaining controls and restrictions on their movement, stocking etc. Accordingly, an exercise was carried out in consultation with concerned Ministries/Departments to delete such commodities which can be covered under separate Acts and not under the omnibus provisions of the EC Act. On recommendations of the concerned Ministries/Departments, deletion of such items from the list of essential commodities has been proposed in the Amendment Bill. Further the omnibus character of the Act has been reviewed and it has been proposed to limit the discretion to declare any essential commodity under the Act.

1.10 The Committee heard the views of the representatives of the Ministry of Consumer Affairs, Food and Public Distribution on 28<sup>th</sup> February, 2006.

1.11 Taking into consideration the public importance of the Bill, the Committee also sought the views/comments of the State Governments/ UT Administrations and the Voluntary Consumer Organisations on the various clauses of the Bill. Most of the States have expressed their concurrence over the passage of the Bill as the proposed modifications in the Bill are relevant and cover all aspects. The Committee has not received any views/comments from the Voluntary Consumer Organisations in this regard.

**1.12 The Committee note that the Essential Commodities Act, 1955 was enacted for the control of production, supply and distribution and trade and commerce in certain commodities in the interest of the general public. The Act empowers the Central Government to control production, supply and distribution of Essential Commodities. In exercise of these powers, several control orders were issued from time to time. The list of essential commodities was reviewed from time to time in the light of economic liberalization and also comfortable position of production and supply of these commodities. The number of items declared as essential got reduced from 70 in the year 1989 to 15 at present. A Committee of Central Ministers and Chief Ministers of 10 States constituted to review the list of Essential Commodities and control orders recommended removal of restrictions of movement on all agricultural commodities. The Committee also suggested that the Essential Commodities Act should continue as an umbrella legislation for the Centre and the States to use when needed but also emphasized a progressive dismantling of controls and restrictions regime. In pursuance of the recommendations of the said Committee, the present Amendment Act has been drafted which inter alia deletes all the items listed in Clause (a) of Section 2 of the Act and simultaneously retain only those commodities as Essential Commodities specified in the Schedule to the amended act which have been recommended by the concerned Ministries. It also proposes to give powers to the Central**

**Government to add, remove or modify any Essential Commodity in that Schedule in the public interest.**

**1.13 The Committee also have taken on record the various Memoranda / suggestions received from stakeholders. The Committee note that almost all the States / UTs have expressed their satisfaction over the proposed Amendment Bill. They concur with the views of the States / UTs and recommend that the Bill be passed subject to the observations made by the Committee in subsequent chapters.**

**1.14 At the same time, the Committee hope and trust that the Government will use the discretion of adding or removing any commodity from the list of Essential Commodities judiciously keeping in view the interest of the general public and only in situations like war and natural calamity and when there is scarcity or non-availability of that commodity which cannot be tackled through normal trade channels requiring government's intervention. The Committee desire that this provision should be inserted into the Act at a suitable place.**

## CHAPTER - II REPORT

### **Clause 2 of the Bill - (Definition of Essential Commodities)**

2.1 As per clause 2 (a) of the Essential Commodities Act, 1955 “essential commodity” means any of the following classes of commodities:--

- (i) cattle fodder, including oilcakes and other concentrates;
- (ii) coal, including coke and other derivatives;
- (iii) component parts and accessories of automobiles;
- (iv) cotton and woollen textiles;
- (iva) drugs.

Explanation.—In this sub-clause, “drug” has the meaning assigned to it in clause (b) of section 3 of the Drugs and Cosmetics Act, 1940;

- (v) foodstuffs, including edible oilseeds and oils;
- (vi) iron and steel, including manufactured products of iron and steel;
- (vii) paper, including newsprint, paperboard and strawboard;
- (viii) petroleum and petroleum products;
- (ix) raw cotton, whether ginned or unginned, and cotton seed;
- (x) raw jute;
- (xi) any other class of commodity which the Central Government may, by notified order, declare to be an essential commodity for the purpose of this Act, being a commodity with respect to which Parliament has power to make law by virtue of Entry 33 in List III in the Seventh Schedule to the Constitution;

2.2 The Government have proposed that in the Essential Commodities Act, 1955 (hereinafter referred to as the principal Act), in section 2, clause (a) shall be omitted.

2.3 After section 2 of the principal Act, the following section shall be inserted, namely:-

‘2A. (1) For the purposes of this Act, “essential commodity” means a commodity specified in the Schedule.

(2) Subject to the provisions of sub-section (4), the Central Government may, if it is satisfied that it is necessary so to do in the public interest and for reasons to be specified in the notification published in the Official Gazette, amend the Schedule so as to—

(a) add a commodity to the said Schedule;

(b) remove any commodity from the said Schedule.

(3) Any notification issued under sub-section (2) may also direct that an entry shall be made against such commodity in the said Schedule declaring that such

commodity shall be deemed to be an essential commodity for such period not exceeding six months to be specified in the notification:

Provided that the Central Government may, in the public interest and for reasons to be specified, by notification in the Official Gazette, extend such period beyond the said six months.

(4) The Central Government may exercise its powers under sub-section (2) in respect of the commodity to which Parliament has power to make laws by virtue of Entry 33 in List III in the Seventh Schedule to the Constitution.

(5) Every notification issued under sub-section (2) shall be laid, as soon as may be after it is issued, before both Houses of Parliament'.

2.3 The Committee pointed out that the Essential Commodity has not been defined either in Essential Commodities Act, 1955 or in the amendments made thereunder from time to time and asked the reasons for not defining "essential commodities" at all. The Ministry in their note furnished to the Committee has stated that "the commodities which were considered essential were directly brought in the Act and also the power has been given to declare any such item as essential depending on demand and supply situation and the prevailing economic needs. Perhaps with these in view no specific definition was attributed at the time of enactment of the Essential Commodities Act, 1955 and the Government might have desired to have omnibus powers to tackle any situation which may arise in future."

2.4 In this regard the Secretary Department of Consumer Affairs further clarified during evidence :-

"I cannot give a definite answer why 'essential commodities' was not defined in the Act- I will also like to add here that before obtaining the approval of the Government to this, we also made some attempt whether we can define the essential commodities or not. There were various difficulties because if you define it, then the power of the Government to tackle an emergent situation would get limited and if it is in the Act, then there is very little that the Government can do in tackling the emergency. Therefore, in the amendment that has been proposed by specifying in what manner and for what circumstances the provisions of this Act can be invoked, we are trying to limit the discretion under the Act. Otherwise, we also tried and found a number of difficulties in defining the 'essential commodities'".

2.5 Asked as to why the Central Govt. intend to exercise the powers vested with the State Governments in the era of decentralization, the Ministry informed the Committee that the purpose of the amendment in the Essential Commodities Act, 1955 is to enable the Central Government to prune the list of essential commodities to the minimum by deleting all such commodities which have no more relevance in the context of present improved demand and supply position and to facilitate free trade and commerce. However, the State Governments will

continue to exercise powers delegated for implementation of control orders under the Essential Commodities Act, 1955.

**B. Powers to control production, supply, distribution, etc. of essential commodities.**

2.6 Section 3(2)(g) of the Essential Commodities Act 1955 reads as under:-

“(g) for regulating or prohibiting any class of commercial or financial transactions relating to foodstuffs or cotton textiles which, in the opinion of the authority making the order, are, or, if unregulated, are likely to be detrimental to the public interest.”

2.7 The Government has proposed that the words “or cotton textiles” from Section 3(2)(g) shall be omitted.

**C. Power to try summarily**

2.8 Section 12 A(2)(a) of the Essential Commodities Act, 1955 states that notwithstanding anything contained in the Code of Criminal Procedure, 1973, all offences relating to—

(a) the contravention of an order under Section 3 with respect to---

- (i) cotton or woollen textiles; or
- (ii) foodstuffs, including edible oilseeds and oils; or
- (iii) drugs; and
- (b) \*

Shall be tried in a summary way by a Judicial Magistrate of the First Class specially empowered in this behalf by the State Government or by a Metropolitan Magistrate and the provisions of sections 262 to 265 (both inclusive) of the said Code shall, as far as may be, apply to such trial.

2.9 The Government have proposed that in Section 12A(2)(a)(i) i.e. “Cotton or woollen textiles; or” shall be omitted. The Committee has not received any views / comments from any State /UT or any Voluntary Organization on this matter.

**D. Saving of orders issued under Section 3**

2.10 All notifications, orders, directions issued or any appointment made, licence or permit granted under section 3 of the principal Act before the commencement of this Act and are in force, in respect of the essential commodities specified in the Schedule, shall continue to remain in force until and unless it is superseded by any notification, order, appointment made, licence or permit granted or directions issued

and it shall be deemed to have been issued under the corresponding provisions of this Act.

2.11 The Committee wanted to know the production, demand, availability and prices of items declared as essential commodity and included in the proposed schedule to the Bill and whether any of the items scarce or unavailable. The Committee was informed that the items, which are proposed to be retained in the Schedule are not so proposed on account of shortages or scarcity but due to reasons specified below:-

(i) **Drugs:** The item is being retained mainly because of need for controlling prices of scheduled drugs;

(ii) **Fertilizer, whether inorganic, organic or mixed:** The item is retained because the prices are notified/controlled by the Government and involves huge subsidy to meet the gap between the actual production/import price and the controlled price.

(iii) **Foodstuffs (including edible oilseeds and oils) :** The item is being retained to facilitate the public distribution system and for quality control of some of the food items. The item would be reviewed after the Integrated Food Law, which has already been introduced in the Parliament, is enacted.

(iv) **Hank yarn wholly made from cotton :** The item is proposed to be retained to facilitate supply of hank yarn to the handloom sector and to ensure proper labeling on the textile products to protect consumer interest.

(v) **Petroleum and Petroleum products :** The item is retained for the sake of quality control and protection of subsidies on PDS kerosene and domestic LPG cooking gas. However, the Ministry of Petroleum & Natural Gas has initiated action to bring a separate legislation, after the enactment of which the item would be considered for deletion from the list of essential commodities.

(vi) **Raw Jute and Jute Textiles :** The item is retained for mandatory use of jute bags and price fixation to protect the jute workers and jute growers etc. However, the Ministry of Textile is considering alternative mechanism to take care of above aspects, after which, the item would be deleted.

(vii) **Seeds of food crops and seeds of fruits and vegetables etc. :** The item is retained for licensing of dealers and for regulation of the quality of seeds and to ensure equitable distribution. However, the Ministry of Agriculture has introduced the Seeds Bill, 2004 in the Parliament in December, 2004 incorporating all the provisions covered under the Seeds Control Order issued under EC Act. Therefore, the item is retained under the EC Act till the Seed Bill, 2004 is enacted and implemented.



2.12 When asked about the parameters/conditions which will be taken into consideration while deciding scarcity of a commodity, the Committee was informed that the Central Government will declare any commodity as essential in the public interest when there is scarcity or non availability of the commodity in a situation like war, natural calamities, disruption or threat of disruption of supply of such essential commodity which can not be tackled through normal trade channels requiring Government's intervention under the EC Act. Such action will be as a result of specific request from the State Government as also the recommendations of the concerned Central Ministry / Department administering such commodities.

2.13 Asked whether the scarcity situation will not lead to hoarding and blackmarketing of commodities and what will be the trade channel to tackle the situation arising out of scarcity, the Committee was informed that in such situation the Government would invoke the provisions of the EC Act to tackle the price rise as also to ensure equitable distribution.

2.14 On being asked whether there would not be rise in prices of essential commodities after the passing of the Bill, the Committee was informed that it is universally accepted that the prices are the result of the demand and supply and competition in the market. Our experience is that the prices can not be determined by regulation, wherever it has been attempted including under the Essential Commodities Act, 1955. The Government have never been able to tackle price rise and ensure availability of any commodity even by fixing a price for that commodity. On the contrary whenever any commodity was brought under price control that item was diverted in the black market, and the common man did not get it at the regulated price. After decontrolling of prices of various commodities, quality has improved and such items have been available at very reasonable prices because industry and trade have responded to demand by better production and supply. Therefore, the price is better left to market forces rather than to artificial controls.

2.15 The Committee apprehended that the proposal for amendment will encourage privatization of agriculture marketing sector and exploitation by the unscrupulous traders and asked the reaction of the Government thereon. The Ministry in their note furnished to the Committee stated that trade and commerce are important facilitators and engines of a high growth economy. In particular, smooth barrier free trade reduces transaction cost and benefits both the producer and the consumer. This is particularly true of agricultural commodities where the Indian farmers get only a small part of the price for the produce paid by the consumers with the lion's share going to a series of intermediaries. It is relevant to note that the cost of intermediation in India is possibly the highest in the world. This has resulted in the lack of investment in the basic infrastructure in this sector, necessary for efficient and modern management of the supply chain linking the farmers with the ultimate consumers. Control and regulation of production, storage, transportation and distribution of various commodities under the

Essential Commodities Act, 1955 has the opposite result by distorting market forces and the adverse impact of which has mainly been felt by Indian farmers and also the consumers. The process of dismantling redundant and unnecessary regulatory frame work would achieve the common Indian market and benefit both to the farmers and the consumers. The intervention and exploitation by the unscrupulous traders functioning as intermediaries between the farmers and the consumers would be done away with.

2.16 The Committee have noted that basic object of this Bill is to remove restrictions on movement of all agricultural commodities and progressively dismantle control and restrictions. But restrictions are still being retained under Section 3(2)(3) and Section 2. Explaining the reasons therefore, the Ministry stated that the provisions under Section 3 of the Essential Commodities Act, 1955 have been retained especially for PDS items, Kerosene retailing, petroleum product, fertilizers, drugs etc. and to meet the emergency situation like war, natural calamities etc.

**2.17 The Committee find that the word “Essential Commodity” is a generic term and thus had not been defined in the Essential Commodities Act, 1955 and the subsequent amendments made there under from time to time. The Committee further note that the commodities, which were considered essential, were directly brought in the Act and also the powers been given to Central Government to declare any such item as essential depending on demands and supply situation and the prevailing economic needs. It is pertinent to note that declaring any scarce commodity as an essential entails situation like hoarding and blackmarketing of such commodity and to ensure its easy availability to the common people. The Committee, however, desire that the powers being conferred on the Central Government vide Section 2 A (4) should not be used to interfere in the normal working of market forces to distort the prices etc., since the basic object of the Bill is to remove**

restrictions on movement of all agricultural commodities and progressively dismantle control and restrictions.

2.18 The Committee note that in accordance with the powers vested under Section 2(a) (xi) of the Essential Commodities Act, 1955, the Central Government has been adding/deleting any commodity to/from the list of essential commodities by Gazette Notification keeping in view the demand and supply position of such commodities except in respect of 11 commodities included under Section 2(a) (i) to (x) of the Act. Although out of these 11 items, 7 items such as cattle fodder, coal, component parts and accessories of automobiles, cotton and woolen textiles, iron and steel, paper including newsprints, raw cotton etc. have already been agreed to for deletion by the concerned Ministries/Departments, these items could not be deleted so far by the Central Government, as it requires an amendment of the Act itself, necessitating approval of the Parliament. Therefore, in order to remove this shortcoming, it has been proposed to delete all these items from main body of the Essential Commodities Act and to include only those items in the schedule, which are considered essential with the provisions authorizing the Central Government to add or remove any commodity from the said schedule in the public interest.

2.19 The Committee note that by virtue of amendment, the essential commodity have been brought in the schedule annexed to the Amendment Bill. The Committee have been informed that the list of essential commodity has been reviewed from time to time with reference to production and supply of these commodities and in the light of economic liberalization. The list of

essential commodities which contained 70 items in the year 1989 been brought down to 15 at present through such periodical review. The Committee further note that by virtue of Section 2A, the Central Government have been empowered to add a commodity or remove any commodity from the schedule to the Bill. Further, the Central Government have been empowered to declare a commodity essential for a period not exceeding six months to be specified in the notification and such notification would be required to be laid before both Houses of the Parliament. The Committee find that at present seven categories of items have been declared as an essential commodity and included in the schedule annexed to the Bill. The Committee do not find any reason to include any of the items mentioned there under as an essential since there is neither any scarcity nor any gap between production and supply of these commodities at the time Bill was introduced. The Committee, therefore, desire that the list annexed to the Bill may be re-examined and only those commodities be retained in which case there is hoarding, blackmarketing and shortages which cannot be tackled through normal trade channel. The Committee feel that retention of some categories of commodities in the Annexure, to keep a check on their quality, cannot achieve any purpose merely by declaring them 'Essential' and hence should be deleted from the Schedule.

2.20 The Committee also note that 'essential commodities' mentioned in the Schedule to the Bill are not commodities but are different 'Categories of Commodities'. The Committee, therefore, desire that 'the Schedule' may be revised as per above suggestion of the Committee and the list be made specific.

2.21 The Committee further note that proviso to Sub section (3) of Section 2 A empowers the Govt. to extend the period of 'essential commodity' beyond six months. This provision appears to be vague as the Central Government

may go on increasing the period any number of times. The Committee, therefore, desire that if there is a need to extend the period of any 'essential commodity' beyond a period of two years, then the Government should inform the Parliament, the various steps taken by them to restore the normal supply of that essential commodity and to check its hoarding & blackmarketing. Accordingly, Sub section 3 of Section 2A should be amended suitably.

2.22 The Committee find that Government have been empowered to declare any commodity as essential by invoking provisions of the Essential Commodity Act, 1955 in the public interest when there is scarcity or non-availability of the commodity in a situation like war, natural calamity, disruption or threat of disruption of supply of such essential commodity which can not be tackled through normal trade channel. The Committee have been informed by the Ministry that the action to declare a commodity, as an essential is to be based on the specific request from the State Governments and the recommendations of the concerned Central Ministry/Department administrating such commodity. However, this is not reflected in the Bill. The Committee desire that this should be provided for in the Act specifically. Further, the Committee feel that due to long time lag between the incidence of shortages and the action initiated to notify a commodity as an essential, hoarding and blackmarketing of that commodity cannot be ruled out. The Committee, therefore, recommend that some foolproof mechanism may be devised to prevent the stockists and/or the manufacturers from taking undue

**advantages of artificial shortages. As the action to declare a commodity, as an essential is contingent upon request from State Government and also the recommendation of Central Ministry/Department administrating such commodity, the Committee hope and trust that there would be coordination between Centre and State Governments in the matter.**

**NEW DELHI;  
20 April, 2006  
30 Chaitra, 1927 (Saka)**

**DEVENDRA PRASAD YADAV,  
Chairman,  
Standing Committee on Food,  
Consumer Affairs and Public Distribution**

**MINUTES OF THE NINTH SITTING OF THE STANDING COMMITTEE ON FOOD, CONSUMER AFFAIRS AND PUBLIC DISTRIBUTION HELD ON TUESDAY, THE 28<sup>TH</sup> FEBRUARY, 2006**

The Committee sat from 1530 hrs. to 1630 hrs. in Committee Room `E, Parliament House Annexe, New Delhi.

Present

Shri Devendra Prasad Yadav - Chairman

**MEMBERS  
LOK SABHA**

2. Shri A.P. Abdullakutty
3. Shri Baliram Kashyap
4. Shri Avinash Rai Khanna
5. Shri Parsuram Majhi
6. Shri Hari Kewal Prasad

**SECRETARIAT**

1. Shri R.S. Kambo - Deputy Secretary
2. Shri B.S. Dahiya - Under Secretary
3. Shri Jagdish Prasad - Assistant Director

**Representatives of Ministry of Consumer Affairs, Food and Public Distribution (Department of Consumer Affairs)**

1. Shri L. Mansingh - Secretary
2. Smt. Alka Sirohi - Additional Secretary
3. Shri G.S. Negi - Director
4. Smt. Priya A. Singh - Deputy Secretary
5. Shri Alok Chandra - Deputy Economic Adviser

2. At the outset Hon'ble Chairman welcomed the representatives of Department of Consumer Affairs and invited their attention towards the Direction 58 of the Directions by the Speaker. Thereafter the Committee was briefed by the representatives of the Department on "The Essential Commodities (Amendment) Bill, 2005. The following points were discussed in the sitting at length:-

- (i) Reasons for not defining the “Essential Commodities” in the Act.
- (ii) Removing the control on movement of agriculture produce.
- (iii) Production, demand, availability and prices of the items declared as essential commodities.
- (iv) Reasons for declaring the raw jute and jute textiles as essential commodities.
- (v) Reasons for continuous decline in the number of items declared as Essential Commodities over the years.
- (vi) Decentralization of powers with regards to declaration of an item as an Essential Commodity.
- (vii) Need to protect the interest of farmers and consumers against the hoarding.

3. At the end Hon’ble Chairman thanked the representatives of the Department of Consumer Affairs for appearing before the Committee.

**The Committee then adjourned.**



**MINUTES OF THE TENTH SITTING OF THE STANDING COMMITTEE ON FOOD, CONSUMER AFFAIRS AND PUBLIC DISTRIBUTION HELD ON THURSDAY, THE 20<sup>TH</sup> APRIL, 2006**

The Committee sat from 11:30 hrs. to 12:00 hrs .in Committee Room 'B', Parliament House Annexe, New Delhi.

**PRESENT**

Shri Devendra Prasad Yadav - Chairman

**MEMBERS**

**LOK SABHA**

1. Shri A.P. Abdullakutty
2. Shri Gadakh Tukaram Gandadhar
3. Shri Atma Singh Gill
4. Shri Jaiprakash
5. Shri Baliram Kashyap
6. Shri Avinash Rai Khanna
7. Shri Zora Singh Mann
8. Shri Harikewal Prasad
9. Shri Ajit Kumar Singh
10. Shri Chandrabhan Singh

**RAJYA SABHA**

11. Shri T.S.Bajwa
12. Shri Nabam Rebia

**SECRETARIAT**

1. Dr.(Smt. P.K. Sandhu) - Additional Secretary
2. Shri P.K.Bhandari - Joint Secretary
3. Shri B.S.Dahiya - Under Secretary
4. Shri Jagdish Prasad - Assistant Director

2. At the outset Hon'ble Chairman welcomed the Members to the sitting of the Committee. Thereafter, the Committee took up the Draft Report on the "Essential Commodities (Amendment) Bill, 2005" for consideration and adopted the same with some amendments / modifications. The Members were given time to send their further suggestions, if any, in a week's time.

3. The Committee then authorized the Chairman to finalize the Report in the light of consequential changes arising out of the factual verification of the Report by the Department of Consumer Affairs and present the same to Parliament on their behalf.

**The Committee then adjourned.**