Indian Economy · GS - III

Stock limits under the Essential Commodities Act are an important instrument of food-price management. Examine their effectiveness in controlling inflation while maintaining agricultural market efficiency.

EXAM YEAR	PAPER	SUBJECT
DAILY PRACTICE 14/11/2026	GS - III	Indian Economy

MARKS	WORD LIMIT
10	~150 words

Answer Hint

Food inflation, hoarding, Essential Commodities Act 1955, stock limits, market intervention, agricultural supply chains, farmer incentives, private investment, price stability, regulatory balance.

Model Answer

Introduction

Food-price volatility affects household welfare and macroeconomic stability. The Essential Commodities Act, 1955, enables government intervention through stock limits and other regulatory measures to prevent hoarding and artificial scarcity.

Role in Price Stabilisation

- **Curbing speculation:** Inventory ceilings discourage excessive accumulation and artificial shortages.
- **Market transparency:** Mandatory stock declarations improve monitoring of commodity availability.
- **Consumer protection:** Timely intervention can moderate abnormal price increases in essential food items.

Limitations and Challenges

- **Supply disruption:** Excessive restrictions may discourage storage, processing and private investment.
- **Farmer vulnerability:** Unpredictable controls can weaken price realisation and market confidence.

- **Implementation gaps:** Inadequate monitoring and uneven enforcement can reduce effectiveness.

Way Forward

Stock limits should be evidence-based, temporary and proportionate to market conditions. Better agricultural storage, scientific forecasting, transparent trading platforms and targeted market interventions can address structural supply constraints.

Conclusion

Price stability requires balancing consumer protection with producer incentives. Regulatory intervention must complement, rather than substitute for, long-term agricultural supply-chain reforms.