PRICE STABILISATION FUND (PSF)

Prelims: Economy- Agriculture; Governance- Policies, Schemes

Mains: GS-II- Indian Economy and issues relating to planning, mobilization of resources, growth, development and employment.

Why in News?

- Onions for retailing by Safal is being made available at present from the government stock built under Price Stabilisation Fund (PSF). It was decided that retail price of onion at Safal would not be allowed to exceed Rs 23.90/- per kg.

Price Stabilisation Fund:

- Price Stabilisation Fund (PSF) refers to any fund constituted for the purpose of containing extreme volatility in prices of selected commodities.
- The amount in the fund is generally utilised for activities aimed at bringing down/up the high/low prices say for instance, procurement of such products and distribution of the same as and when required, so that prices remain in a range.
- Accordingly, the Government of India in 2015, approved the creation of a Price Stabilization Fund (PSF) with a corpus of Rs.500 crores as a Central Sector Scheme, to support market interventions for price control of perishable Agri-horticultural commodities during 2014-15 to 2016-17.
- Initially the fund was proposed to be used for market interventions for onion and potato only and pulses were added subsequently.

Procurement of Commodities:

- Procurement of these commodities will be undertaken directly from farmers or farmers' organizations at farm gate/mandi and made available at a more reasonable price to the consumers. Losses incurred, if any, in the operations will be shared between the Centre and the States.
- PSF Scheme provides for advancing interest free loan to State Governments/Union Territories (UTs) and Central agencies to support their working capital and other expenses they might incur on procurement and distribution interventions for such commodities.
- Hence, the actual utilisation of the fund depends on the willingness of the state governments / union territories to avail of such loans for these purposes. Further, the

actual detection of the period when support is required and the deployment of price support measures are left to the states.

- For this purpose, the States will have to set up a 'revolving fund' (a fund which is constantly replenished and not limited by the fiscal year considerations) to which Centre and State will contribute equally (50:50).
- The ratio of Centre-State contribution to the State level corpus in respect of North-East States will, however, be 75:25. Central Agencies will set up their revolving fund entirely with the advance from the Centre.

Management of Price Stabilization Fund:

- The Price Stabilization Fund will be managed centrally by a Price Stabilization Fund Management Committee (PSFMC) which will approve all proposals from State Governments and Central Agencies.
- The PSF will be maintained as a Central Corpus Fund by Small Farmers Agribusiness Consortium (SFAC), a society promoted by Ministry of Agriculture for linking agriculture to private businesses and investments and technology. SFAC will act as Fund Manager.
- Funds from this Central Corpus will be released in two streams, one to the State Governments/UTs as a onetime advance to each State/UT based on its first proposal and the other to the Central Agencies.
- The one time advance to the States/UTs based on their first proposal along with matching funds from the State/UT will form a State/UT level revolving fund, which can then be used by them for all future market interventions to control prices of onions and potatoes based on approvals by State Level Committee set up explicitly for this purpose.
- The Price Stabilization Fund (PSF) was set up under the Department of Agriculture, Cooperation & Famers Welfare (DAC&FW), Ministry of Agriculture. The PSF scheme was transferred from DAC&FW to the Department of Consumer Affairs (DOCA) w.e.f. 1st April, 2016.