

# Price Stabilisation Fund (PSF)

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***Source:** PIB, Ministry of Consumer Affairs, Food & Public Distribution & Arthapedia*

Price Stabilisation Fund (PSF) has gained importance with the volatile price of Onion in the country

## What is Price Price Stabilisation Fund?

It refers to any fund **constituted for the purpose of containing extreme volatility in prices of selected commodities**. The amount in the fund is generally utilized 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.

## Price Stabilisation Fund (PSF) in India

- The Price Stabilization Fund (PSF) **was set up in 2014-15 under the Department of Agriculture, Cooperation & Famers Welfare (DAC&FW)** to help regulate the price volatility of **important agri-horticultural commodities like onion, potatoes and pulses** were also added subsequently.
- **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.
- **Interest-free loans:** PSF Scheme provides for **advancing**

**interest-free loans 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 utilization 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.
- **Sharing of the contribution:** 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.
- The scheme **provides for maintaining a strategic buffer** of the aforementioned commodities for subsequent calibrated release to moderate price volatility and discourage hoarding and unscrupulous speculation.
- For building such stock, the **scheme promotes direct purchase from farmers/farmers' association at farm gate/Mandi**.
- Apart from domestic procurement from farmers/wholesale mandis, import may also be undertaken with support from the Fund.
- **Management of the 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.
- **Maintenance of the corpus Fund:** The PSF will be maintained as a Central Corpus Fund **by Small Farmers Agribusiness Consortium (SFAC)**, a society promoted by

the Ministry of Agriculture for linking agriculture to private businesses and investments and technology. SFAC will act as Fund Manager.

- **Price Stabilization Fund Management Committee (PSFMC):**  
The Fund shall be managed by a “Price Stabilization Fund Management Committee (PSFMC) under the Chairmanship of Secretary (CA)
- The PSF scheme was **transferred from DAC&FW to the Department of Consumer Affairs** (DOCA) w.e.f. 1st April 2016.