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## Price Stabilisation Fund: Most Important Topic for 2024 NET, IAS, State-SET (KSET, WBSET, MPSET, etc.), GATE, CUET, Olympiads etc.

- The Price Stabilization Fund (PSF) was set up in 2014 - 15 under the Department of Agriculture, Cooperation & Farmers Welfare (DAC&FW) to help regulate the price volatility of important Agri-horticultural commodities like onion, potatoes and pulses were also added subsequently. The PSF scheme was transferred from DAC&FW to the Department of Consumer Affairs (DOCA) w. e. f. 1st April, 2016.
- The scheme provides for maintaining a strategic buffer of aforementioned commodities for subsequent calibrated release to moderate price volatility and discourage hoarding & unscrupulous speculation. For building such stock, the scheme promotes direct purchase from farmers/farmers association at farm gate/Mandi. The PSF is utilized for granting interest free advance of working capital to Central Agencies, State/UT Governments/Agencies to undertake market intervention operations. Apart from domestic procurement from farmers/wholesale mandis, import may also be undertaken with support from the Fund.
- This information was given by Shri C. R. Chaudhary, the Minister of State for Consumer Affairs, Food & Public Distribution, in written reply to a question in Lok Sabha today.
- The fund allocated under PSF has been primarily utilized towards building the buffer of Upto 20 lakh tonnes of pulses. In addition, other activities like creation of a buffer of 17,747 tonnes of Onions; import of 5000 tonnes of Tur and 2000 tonnes of Onions; purchase of 6011 tonnes of Onions by NAFED and SFAC; financial assistances to States like West Bengal (₹ 2.5 crores) , Andhra Pradesh (₹ 25 crores) & Telangana (₹ 9.15 crores) for setting State Level PSF; etc. were also undertaken.
- 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 & distribution of the same as and when required, so that prices remain in a range.

- Many countries use such dedicated funds for Stabilisation of major petroleum product prices, particularly if they are importers. Some countries use such funds for stabilising not just commodity prices but a variety of key macroeconomic variables such as the exchange rate (which is nothing but the price of the domestic currency expressed in terms of an external currency) , benchmark stock indices etc. The operational details of such funds vary from country to country.
- India first created a price Stabilisation fund for some export oriented plantation crops in 2003, and this ceased to exist in 2013. Another fund was created in 2015 for perishable agricultural & horticultural commodities, but initially limited to support potato and onion prices only.
- PSF mechanism is apart from the Minimum Support Price (MSP) based initiatives already existing in the country for certain agricultural goods. The MSP system has some price tempering properties, but it is from the perspective of the growers / farmers & becomes operative when prices fall below the cost of production. The output thus procured by the Government at MSP is later distributed at affordable rates through the public distribution system.
- Another parallel to PSF are the Consumer Federations (known commonly as Consumer feds) which undertake distribution of consumer goods at reasonable and affordable rates. They undertake bulk procurement of consumer goods, essential goods, medicines etc. (including their imports if required) , and supply to affiliated &or other Co-operatives Societies & arrange for proper storage, packing, grading and transport of such goods.
- While tempering the prices of such goods, these entities save the public from the exploitation by retail / middleman and continually operate throughout the year irrespective of the movement in the market prices of these goods. Some consumer feds establish & run manufacturing and processing units for production of consumer goods in collaboration with other entities or directly by itself.
- In contrast to MSP & consumer fed operations, a PSF is generally conceived to be operative in both directions of price movement, subject to prices crossing some threshold level.

## Objectives

- To promote direct purchase from farmers /farmers associations at farm gate/Mandi.
- To maintain a strategic buffer stock that would discourage hoarding & unscrupulous Speculation.
- To protect consumers by supplying such commodities at reasonable prices through calibrated release of stock.