GOVERNMENT OF INDIA
MINISTRY OF COMMERCE & INDUSTRY
(DEPARTMENT OF COMMERCE)

LOK SABHA
UNSTARRED QUESTION NO. 2938
TO BE ANSWERED ON 10th JULY, 2019

PRICE STABILISATION FUND

2938. SHRI DEVUSINH JESINGBHAI CHAUHAN:

Will the Minister of **COMMERCE & INDUSTRY (**वाणिज्य एवं उद्योग मंत्री **)** be pleased to state:

(a) the objectives and salient features of the Price Stabilisation Fund (PSF) scheme for the plantation crops indicating the commodities and the facilities which are being extended thereunder;
(b) the funds allocated and utilised under the said scheme during each of the last three years and the current year;
(c) whether the Government has established/proposes to establish any PSF for mitigating the price volatility in agricultural produces and if so, the details thereof;
(d) whether the Government has reviewed the said scheme and proposes to modify it;
(e) if so, the details and present status thereof indicating the proposed changes; and
(f) the time by which the modified scheme is likely to be finalised?

ANSWER

वाणिज्य एवं उद्योग मंत्री (श्री पीयूष गोयल)
THE MINISTER OF COMMERCE AND INDUSTRY
(SHRI PIYUSH GOYAL)

(a) & (b) In view of the fluctuating nature of international prices in plantation crops and the dependence of growers on the export markets, Government launched and implemented the Price Stabilization Fund (PSF) Scheme from 1st April, 2003 to 30th September, 2013 to provide financial relief to small growers of coffee, tea, rubber and tobacco having land holdings up to four hectares.

This financial relief was provided when prices of these commodities fell below the price spectrum band. Every year, a uniform price spectrum band for all four commodities was announced by the High Powered Committee (HPC) constituted by the Department of Commerce with a range of + 20 % to - 20 % of moving average of the previous seven years international prices of the crops. The scheme was based on the principle of contributions from the growers and the Government depending on normal/boom/distress periods, with a provision for withdrawal by the growers during the distress period. The Price Stabilization Fund Trust (PSFT) was set up by the Department of Commerce and NABARD to implement the PSF Scheme. The grower members were required to deposit Rs. 500 (non-refundable) towards entry fee, which would form part of the PSF Corpus. If the price falls within the band, the year would be declared as normal year and growers as well as PSFT would deposit Rs. 500 each in the PSF saving account of grower opened for the purpose of the scheme in the Nationalized banks. If the price goes above the upper band, the year would be declared as boom year and only the grower would deposit Rs. 1000 in the account and if the price falls below lower band, the year would be declared as distress year and only PSFT would deposit Rs. 1000 in the growers' accounts. In distress year, each eligible grower was allowed to withdraw Rs.1000 from the respective account. The scheme was closed on 30/9/2013. Therefore, no fund was allocated and utilized under the scheme during the last three years.

(c) A corpus fund was set up in the year 2003 with the Government of India's contribution of Rs. 432.88 crore and growers' contribution of Rs. 2.67 crore (Total Rs. 435.55 crore) to implement the PSF scheme. The PSFT, set up in September, 2003 for a period of ten years was implementing the PSF scheme and operating the PSF Corpus Fund. As per the provisions of the scheme, interest earned on the Corpus was utilized for implementing the scheme, keeping the corpus fund vested in the Public Account of Government of India intact. The PSF Trust has been re-registered for a period of 10 years commencing from 11/9/2013. As per the guidelines of the PSF, interest is calculated at the end of each financial year and transferred to the Reserve Fund –PSFT.

(d) to (f) The PSF scheme was not successful. The scheme was reviewed in October, 2012 with a view to rectify the deficiencies in the scheme. As a result, a draft modified PSF Scheme was prepared and discussed in the meeting held on 4/6/2014 under the chairmanship of Expenditure Secretary. In the meeting, it was decided that the available corpus with the Price Stabilization Fund Trust may be utilized by the Department of Commerce to implement a modified insurance premium subvention scheme for insuring the growers. Accordingly, the Department of Commerce approved a pilot scheme in the name of Revenue Insurance Scheme for Plantation Crops (RISPC) to protect small growers of tea, coffee, rubber & cardamom from the twin risks of weather and prices for implementing in nine districts of seven States by the commodity boards through selected insurance companies. However, the scheme did not elicit desired response from the target groups and insurance companies.

The Indian Institute of Plantation Management Bengaluru evaluated the scheme and recommended crop specific insurance schemes for Coffee, Tea, Cardamom and Tobacco so that the needs of each crop could be met. The commodity boards have been advised to formulate suitable schemes as recommended by the evaluation study. The finalization and approval of the modified scheme is dependent upon the submission of suitable schemes addressing the deficiencies of the earlier scheme.

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