

## **Artificial Market Prices and Subsidies-Implication for Indian Agriculture**

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Agriculture in India is the most important segment of the economy. Importance of the agriculture sector in the economic, social and political fabric of India goes well beyond what is indicated by its contribution to the economy. The large number of poor agricultural households and their income vulnerability are major concern among policy makers. These concerns have driven both agricultural policies and public expenditures in agriculture in India as well as in other part of the globe. Agriculture is also one of the major sources of export earnings of our country and is crucial for improving the balance of payments. In recent years, the export of agricultural and allied products accounted for about one-fifth of total export earnings of India. India's share of agricultural export has remained very low in many commodities despite inherent strength of Indian agriculture with the exception of few commodities. There are number of factors behind it but huge subsidies by developed countries, dumping, artificial low or high prices in market by corporate and other farm of market distortions are some major roadblocks for agricultural market of developing countries like India.

Present paper is an effort to evaluate competitiveness of agricultural produce of Indian farmers in international market. Keeping in view the overall food-grain production, marketable surplus and number of farmers, among the major food-grain producing state has been taken for comparison of trade competitiveness.

Since agricultural trade is highly distorted due to huge subsidies and support to agriculture in developed countries; paper evaluate competitiveness of Indian Wheat and Rice in international and domestic markets. The paper also evaluates the alternative case, if both countries withdraw their subsidies to these commodities in form of Producer Support Estimate (PSE) and remove the fabricated prices. Results shows that the competitiveness of Developed countries in international market is artificial and these countries are dominating the international market by artificially fabricated comparative advantage, because they do not have natural comparative advantage.