

Price Distortions and Export Competitiveness: Evidence from India's Rice and Wheat Economy

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Abstract

India's wheat and rice economy is at the core of the country's food security and agri-exports, which reached all-time highs in 2023-24. Although the widening gap between Minimum Support Price (MSP) and wholesale prices has challenged country competitiveness elsewhere in the world, this study explores the role of these gaps in shaping rice and wheat exports, based on secondary time-series data from 2001 to 2023. The trend analysis shows that the MSP–wholesale price spread for both rice and wheat widened steadily across the years. In contrast, export values were highly volatile, with rice peaking during 2011–13 and again in 2020–21, while wheat depicted major highs in 2012 and 2020 before steep declines. The Vector Autoregression (VAR) results revealed distinct crop-level dynamics. For rice, current exports are significantly and negatively affected by both the previous year's export volumes and the price gap between wholesale price and MSP. This means that wider price spreads make India less competitive in global markets, and years with high exports are often followed by declines, most likely because of stock adjustments or restrictive trade policies. For wheat, exports are influenced only by their own lagged values, indicating persistence in demand and a stronger role of government trade controls than domestic price gaps. Wheat exports respond mainly to policy interventions and stable demand, while rice exports are highly sensitive to MSP distortions and global price competitiveness. Based on the results, this study proposes a differentiated, crop-specific MSP and procurement policy that can safeguard farmer welfare while preserving India's competitiveness in international markets.

Keywords: Agriculture, Exports, Minimum Support Price (MSP), Price Gap, Rice, Wheat, Wholesale Price