India Agricultural Tractor - Market Share Analysis, Industry Trends & Statistics, Growth Forecasts (2024 - 2029)

Market Report | 2024-02-17 | 80 pages | Mordor Intelligence

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Report description:

The India Agricultural Tractor Market size is estimated at USD 2.37 billion in 2024, and is expected to reach USD 3.13 billion by 2029, growing at a CAGR of 5.80% during the forecast period (2024-2029).

Key Highlights
-The demand for agricultural machinery, including tractors, increased due to higher Kharif sowing, good cash flows to farmers, a timely and normal monsoon in the country across June and July 2022, continued higher rural spending by the government, and exemption from lockdown restrictions.
-Government initiatives toward rural development, farm mechanization, and various factors, such as high rural wages and scarcity of farm labor, will likely increase the tractor volume over the long term. In terms of units, India is one of the largest tractor markets globally, selling 600,000 to 700,000 tractors per annum on average between 2018-2021.
-Two-wheel-drive tractors are more popular than four-wheel-drive tractors in the Indian market. The agriculture tractor market is dominated by aboriginal Indian OEMs, namely Mahindra & Mahindra Limited, TAFE, International Tractors Ltd (Sonalika), and Escorts Limited. Key international tractor manufacturers like Deere & Company and CNH penetrated the market and established a decent market presence.
-India remains a highly lucrative tractor market because of the decreasing availability of farm labor and the rise of innovative business models, such as custom hiring solutions for tractors. In India, under the mechanization component of the macro-management scheme of agriculture by the Indian government, there is a subsidy for promoting agricultural mechanization, including 25% of the cost limited to INR 30,000 for buying tractors of up to 35 PTO HP. Thus, with the rising government support for enhancing farm mechanizations and expansion in crop production, the sale of agricultural tractors is anticipated to rise in the upcoming years.

India Agricultural Tractor Machinery Market Trends

Mechanization Trend in Agriculture Sector

- In recent years, farm mechanization practices have come a long way. Issues concerning farm productivity are tackled mainly through the extensive use of tractors and other farm equipment. The employment of mechanized power in the field has pioneered impressive changes in the agriculture sector.
- Providing subsidies involves all stakeholders, including the Indian government, state governments, state agro-industries corporations, machinery manufacturers associations, Farm Machinery Testing and Training Institutes (FMTTIs), manufacturers, importers, dealers, and farmers. Under direct benefit transfer in agricultural mechanization, the subsidy in the market is shared by both center and state governments.
- Easy credit availability to farmers is made possible through many financial institutions, and favorable government policies and subsidy programs lead to these. Various loan schemes, easy breakdown of installments according to crop cycles, and low-interest rate plans generate funding for mechanization. As per India's National Bank for Agriculture and Rural Development (NABARD) norms, any farmer with 8 acres of land can take a tractor loan to be paid over nine years, with 12.5% interest over the principal amount.
- Various concessions from the Indian government, like exemption of excise duty for tractors less than 1800 cc of capacity, have helped small farmers purchase the machine. To offer loans to a higher number of small and marginal farmers, the government has reduced the minimum land holding from 10 acres to 4 acres over the years, and the credit period has been increased from 7 to 9 years.
- In addition to the schemes mentioned above, the government provides subsidies for purchasing tractors below 18 HP under central sector extension programs. This subsidy is offered to farmers individually or in groups, with irrigated land between 2.4 and 3.2 ha. The farm power availability has increased to 2.76 kW/ha in 2021, and the government has set a target to achieve 4 kW/ha by 2030. This, in turn, is anticipated to boost agricultural machinery sales in India.
- Thus, with substantial support from the government, the adoption of tractors for agricultural practices has increased over the years. Hence, the farm mechanization goals of the Indian government are acting as the prime driver and are expected to boost the market growth during the forecast period.

Increasing Trend of Custom Hiring of Tractors

- Custom hiring services for tractors are delivered broadly through four means: government agencies, local entrepreneurs, large farmers, and organized companies. The Agriculture Engineering Department in many Indian districts has introduced this concept of 'custom hiring centers' to popularize and achieve the objective of farm mechanization in all the panchayat unions in the districts.
- Some of the states, like Karnataka, Maharashtra, and Rajasthan, have already developed custom hiring centers in order to facilitate the farmers. These states are rapidly expanding the number of custom hiring centers. For instance, in January 2022, the Agriculture Minister of the State of Rajasthan announced to set up of 1,000 more custom hiring centers in the state.
- Similarly, in March 2022, the state government of Madhya Pradesh announced the opening of 3,000 new custom hiring centers in the state. Under this scheme, 40% credit linked to back-ended subsidies up to a maximum of INR 10 lakh is given to farmers for setting up custom hiring centers in Madhya Pradesh.
- Custom hiring companies also provide skilled operators, in which case farmers can avoid incurring extra costs in their operations. Most of the large farmers need help in justifying their ownership for the purchase of machines, and therefore, renting out tractors has become a viable trend for machinery companies.

- Thus, the increasing popularization of the use of tractors, coupled with government support to provide tractors on a hiring basis, is anticipated to drive the growth of the market during the forecast period.

India Agricultural Tractor Machinery Industry Overview

The agricultural tractor market in India is consolidated and dominated by large global and domestic manufacturers, and farmers prefer trusted brands for quality assurance and better after-sales services. Mahindra & Mahindra Ltd is the leading player occupying the highest share in the Indian agricultural tractors market, followed by Tractor and Farm Equipment Ltd (TAFE), International Tractor Ltd, Escorts Limited, and John Deere India Private Limited.? These major players are investing in new products and improvisation of products, expansions, and acquisitions for business expansions. Another significant investment area is the focus on R&D to launch new products at lower prices.

Additional Benefits:

- The market estimate (ME) sheet in Excel format
- 3 months of analyst support

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