

India can explore USD 21 billion export market in farm equipment sector

Government of India is promoting mechanization of farming under the Sub-Mission on Agricultural Mechanisation to improve farm productivity and thereby enhance farmers' income. Under this scheme, the government provides subsidy to farmers for purchase of machineries used in tillage, sowing, planting, harvesting, reaping, threshing etc. Government has also set up four Farm Machinery Training and Testing Institutes (FMTTIs) to facilitate manufacturers evaluate quality of their products and make further improvement in designs.

India's farm machinery market is largely dominated by tractors, followed by other equipments such as rotavators, power tillers, threshers etc. Major farm machinery manufacturers in India are Mahindra & Mahindra, TAFE, John Deere, Escorts and Sonalika Tractors. Apart from them, there are several small and medium enterprises engaged in manufacture of rotavator, plows, cultivators, seed drillers, power weeders, spreaders, irrigation equipments, reapers, sprayers, threshers, diggers, combine harvesters, trailers, trolleys and harvesting equipments. As India adopts contract farming and precision agriculture, demand for farm equipments will increase in the coming years. Emergence of many start-up enterprises in agri-tech sector has enhance development of farm machineries based on internet of things, artificial intelligence, drones and other cutting edge technologies.

EXIM Trade

India has a trade surplus in agriculture machinery sector, with the country exporting USD 1.02 billion worth of farm equipments as against import of USD 300 million in 2019-20. Trade in farm equipments has been largely unchanged since 2011-12, when India's total exports was USD 1.09 billion versus imports of USD 328 million. Tractors of various types and applications account for around 70% of farm equipment exports, while imports include certain types of tractors, combine harvesters, threshers, dryers for farm products, spray guns, machinery for preparing animal feed, rotary tillers, grading machines for farm products, among others.

India exports tractors to USA, Thailand, Nepal, Sri Lanka, Bangladesh, Sudan, South Africa, Netherlands etc. Germany, Australia and UAE are other major destinations for export of components used in trailers, while Denmark, Spain, Hungary, Lithuania are major markets for components used in other agriculture machineries.

India imports certain varieties of tractors from Thailand, Japan and South Korea. On the other hand, it imports combine threshers from China, Thailand, Japan and Germany. Italy is another major source of components used in harvesting or threshing machines, while Denmark and Turkey are major suppliers of dryers for farm products. India imports spray guns and similar appliances from China, USA, Germany and Japan. The following table provides major farm equipments exported and imported by India.

India's trade in top 14 agriculture machineries (figures in USD million)

HS Code	Product Description	2011-12			2019-20		
		Export	Import	Trade Deficit	Export	Import	Trade Deficit
87019300	OTHER TRACTORS, OF AN ENGINE POWER EXCEEDING 37 KW BUT NOT EXCEEDING 18 KW	0	0	0	415.25	21.28	393.97
87019200	OTHER TRACTORS, OF AN ENGINE POWER EXCEEDING 18 KW BUT NOT EXCEEDING 37 KW	0	0	0	221.25	38.65	182.6
87169010	PARTS & ACCESSORIES OF TRAILERS	12.93	35.82	-22.89	43.81	14.43	29.38
84329090	PARTS OF OTHER AGRICULTURAL AND HORTICULTURAL MACHINERY	34.21	14.69	19.52	37.76	12.26	25.5
87013099	OTHER TRACK-LAYING TRACTORS	2.03	0.45	1.58	31.84	0.1	31.74
87081010	BUMPERS ETC FOR TRACTORS	99.13	12.1	87.03	30.34	1.35	28.99
84328020	ROTARY TILLER	3.77	7.91	-4.14	26.37	9.86	16.51
84329010	PARTS OF AGRICULTURAL MACHINERY INCLUDING WITHIN HDG NOS 843210, 843221	10.07	5.31	4.76	20.79	2.88	17.91
84339000	PARTS OF HARVESTING, THRESHING MACHINES ETC	10.85	19.27	-8.42	19.01	22.42	-3.41
87012090	OTHER ROAD TRACTORS FOR SEMI-TRAILERS	10.9	0.29	10.61	17.95	0.15	17.8
87013019	OTHER GARDEN TRACTORS	4.32	0.05	4.27	16.36	0.44	15.92
84335900	OTHER HARVESTING & THRESHING MACHINERY	1.59	23.79	-22.2	12.2	10.49	1.71
82013000	MATTOCKS PICKS HOES & RAKES	15.98	0.09	15.89	9.87	0.07	9.8
87019090	OTHER TRACTORS	775.91	5.72	770.19	0	0	0
	Total of top 14 agriculture machinery exports	981.69	125.49	856.2	902.8	134.38	768.42
	Total of all agriculture machinery exports	1093.35	328.63	764.72	1021.4	301.56	719.84

Source: Ministry of Commerce & Industry, Government of India

India's trade in top 19 agriculture machineries (figures in USD million)

HS Code	Product Description	2011-12			2019-20		
		Export	Import	Trade Deficit	Export	Import	Trade Deficit
87019200	OTHER TRACTORS, OF AN ENGINE POWER EXCEEDING 18 KW BUT NOT EXCEEDING 37 KW	0	0	0	221.25	38.65	182.6
84335100	COMBINE HARVESTER-THRESHERS	11.92	4.32	7.6	9.41	29.22	-19.81
84339000	PARTS OF HARVESTING, THRESHING MACHINES ETC	10.85	19.27	-8.42	19.01	22.42	-3.41
87019300	OTHER TRACTORS, OF AN ENGINE POWER EXCEEDING 37 KW BUT NOT EXCEEDING 75 KW	0	0	0	415.25	21.28	393.97
84193100	DRYERS FOR AGRICULTURAL PRODUCTS	3.04	7.53	-4.49	6.23	18.78	-12.55
84242000	SPRAY GUNS & SIMILAR APPLIANCES	4.81	11.78	-6.97	8.04	16.28	-8.24
84361000	MACHINERY FOR PREPARING ANIMAL FEEDING STUFFS	1.69	20.83	-19.14	5.68	15.04	-9.36
84322990	OTHERS	1.35	9.41	-8.06	4	14.53	-10.53
87169010	PARTS & ACCESSORIES OF TRAILERS	12.93	35.82	-22.89	43.81	14.43	29.38
84369900	PARTS OF OTHER AGRICULTURAL, HORTICULTURAL & FORESTRY MACHINE INCLUDING GERMINATION OF PLANT	2.88	5.5	-2.62	3.75	13.06	-9.31
84328090	OTHERS	3.64	26.9	-23.26	2.85	12.51	-9.66
84329090	PARTS OF OTHER AGRICULTURAL AND HORTICULTURAL MACHINERY OF HDG NO 843280	34.21	14.69	19.52	37.76	12.26	25.5
84336020	EGG-GRADING AND OTHER GRADING MACHINES FOR AGRICULTURAL PRODUCE	0.16	10.42	-10.26	2.35	10.57	-8.22
84335900	OTHER HARVESTING & THRESHING MACHINERY	1.59	23.79	-22.2	12.2	10.49	1.71
87163900	OTHER TRAILERS & SEMI-TRAILERS FOR TRANSPORT OF GOODS	4.06	15.9	-11.84	5.06	10.33	-5.27
84328020	ROTARY TILLER	3.77	7.91	-4.14	26.37	9.86	16.51
84334000	STRAW/FODDER BALERS, INCLUDING PICK-UP BALERS	0.11	0.97	-0.86	1.44	6.5	-5.06
	Total of top 19 agriculture imports	97.01	215.04	-118.03	824.46	276.21	548.25
	Total agriculture machinery imports	1093.35	328.63	764.72	1021.4	301.56	719.84

Source: Ministry of Commerce & Industry, Government of India

An analysis of EXIM data published by ITC, Geneva shows that India has USD 21.9 billion worth export potential for certain farm equipments, including parts and equipments used in tractors, trailers, bumpers, harvesting machineries and miscellaneous farm tools. India has hardly 1.4% share in world exports of these commodities, while major exporters are Germany, China, Italy, USA, France, and other European countries.

Export potential for farm equipments from India

Product Description	World Exports (USD billion)	India's share	Major exporters
Parts of trailers, semi-trailers and other vehicles	8.45	1.2%	Germany, China, USA, Hungary
Parts of agricultural, horticultural or forestry machinery for soil preparation or cultivation	2.8	2.1%	Germany, Italy, China, USA, France
Bumpers and parts thereof for tractors and other vehicles	7.7	1.2%	Germany, USA, Czech Republic, China
Lawn rollers and other farm machinery	1.19	2.3%	Italy, Germany, Netherlands, China
Harvesting machinery for agricultural produce	1.51	0.9%	Germany, USA, Brazil, France, Belgium
Mattocks, picks, hoes and rakes	0.29	4.8%	China, Mexico, Germany, India
Total exports	21.94	1.4%	

Source: ITC, Geneva

Government of India has taken several initiatives such as providing credit to farmers for buying agriculture machinery, extending subsidies for procurement of farm equipments, setting up farm machinery testing institutes etc. These measures are intended to increase farm mechanization in the domestic market. In future, government should also introduce policy support schemes to develop an export-oriented farm equipment manufacturing sector. Media reports suggest that farm machinery manufacturers in India suffer from high raw material prices for iron and steel. Also, it is reported that the GST rate on input materials is 18%, while the applicable rate for selling farm equipments is 12%. Considering that GST on input materials is 18%, government should ensure that exporters get reimbursement of the taxes paid on inputs.

Notifications

PIB

Ministry clears 28 projects to create food processing capacity across 10 states

<https://pib.gov.in/PressReleaseDetail.aspx?PRID=1674685>

Minister attends G20 Finance Ministers Meeting

<https://pib.gov.in/PressReleaseDetail.aspx?PRID=1674479>