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Published in Business Standard
August 11th, 2026| 10:32 AM

Tractor retail sales defy El Niño worries, rise 25% in April-July

Registrations hit record July high as rainfall recovery, kharif sowing and healthy farm cash flows support rural demand

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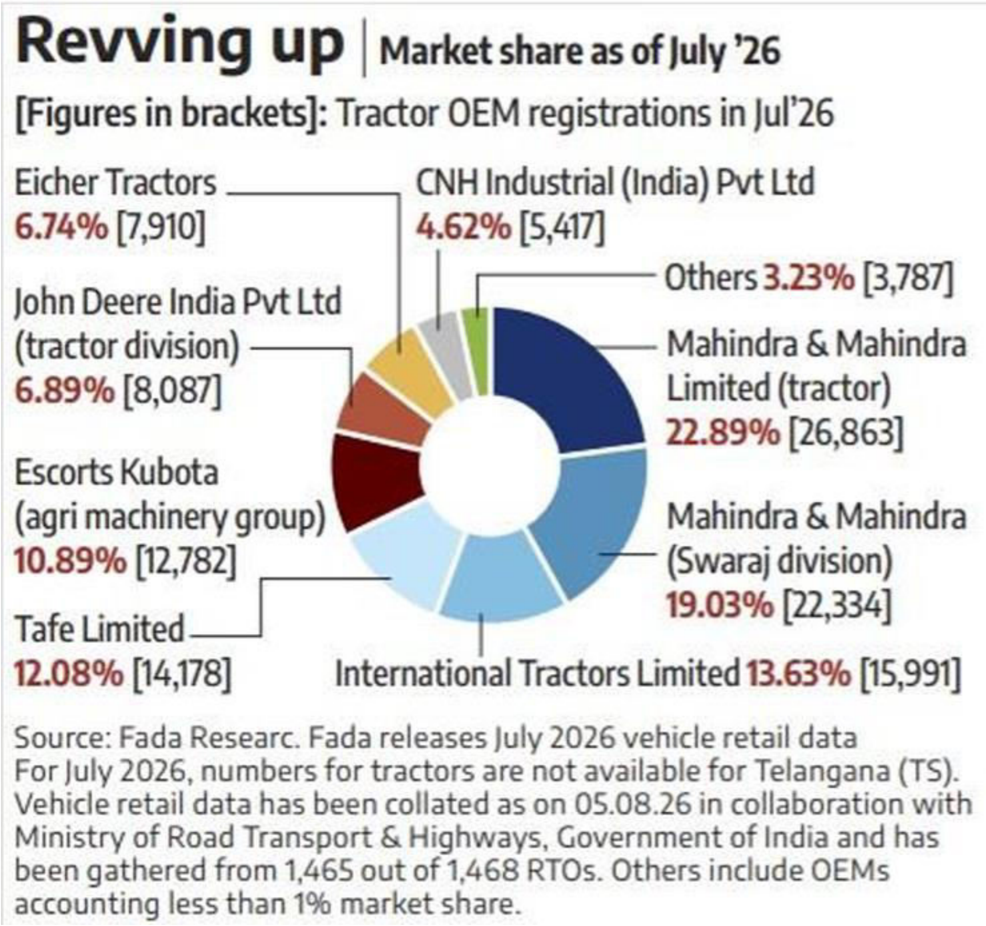

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Tractor retail sales grew nearly 25 per cent in the first four months of FY27, supported by healthy farm cashflows, government measures and rains that helped kharif sowing amid fears of a below-normal monsoon.

Tractor registrations increased 28.1 per cent year-on-year (Y-o-Y) to 117,349 units in July — the highest ever for the month, according to data provided by the Federation of Automobile Dealers Associations (Fada). Retail sales grew 12.1 per cent compared to June. Retail sales increased 24.77 per cent to 386,648 units between April and July, up from 309,896 in the corresponding period last year.

The July performance followed 23.22 per cent growth in April, 11.17 per cent in May and 25.31 per cent in June. Tractor sales led all vehicle categories in growth during April, recorded their second-best June, and reached an all-time high in July. Fada attributed the July growth to kharif sowing improving after rainfall recovered in the month. Rural tractor registrations grew 28.83 per cent Y-o-Y and 13.62 per cent month-on-month, even though erratic rainfall and flooding affected showroom walk-ins in some rural markets.

The company's domestic tractor sales grew 20 per cent in April, 23 per cent in May and 12 per cent in June. M&M attributed the growth in May to the timely completion of rabi harvesting and favourable terms of trade for farmers. In June, however, the company cautioned that it was still too early to assess the full impact of emerging El Niño conditions. It said sustained fertiliser subsidies and targeted support measures could mitigate some of the risks to farmers and cushion the impact on the kharif season.

M&M has retained its tractor industry growth forecast of around 5 per cent for FY27, citing the high base in the second half of last year and uncertainty over the impact of El Niño.
Sonalika Tractors too reported its best July performance, selling 11,442 tractors. The company's sales grew 27.2 per cent in the country, outpacing the domestic industry.

"Our 27.2 per cent domestic growth stands as an industry-leading achievement, and we are proud it positions us as the highest market share gainer in the space," said Raman Mittal, joint managing director of International Tractors Ltd, which manufactures Sonalika tractors.
"Farmers today are investing heavily in tractors that are efficient, offer dependable performance and assure higher productivity to secure their future. We remain focused on ensuring that our products are fully geared to meet the growing demand of farmers in the upcoming festive season," Mittal said.

The retail momentum is significant because rainfall and crop-sowing indicators remain mixed.
The India Meteorological Department (IMD) has forecast below-normal rainfall (less than 94 per cent of the long-period average) during the August–September period. Rainfall in August is also expected to be below normal nationwide, although parts of peninsular, central, and northwest India may receive normal to abovenormal rainfall.

Moderate El Niño conditions currently prevail over the equatorial Pacific and are expected to strengthen during the remaining southwest monsoon season, according to the IMD.
It has said El Niño generally tends to weaken the Indian summer monsoon, although the relationship is not uniform. Of the 16 El Niño years recorded since 1950, seven resulted in below-normal monsoon rainfall. The link between El Niño and weaker rainfall is typically stronger during the latter half of the Indian monsoon, particularly in September.

Rainfall was around 43 per cent below normal by the third week of June as the monsoon's advance was delayed. The deficit, however, narrowed following a pickup in rainfall during July.

Cumulative rainfall between June 1 and August 5 was 11 per cent below the longperiod average, IMD data showed. Rainfall during the week ending August 5 was 7 per cent above normal for the country as a whole, led by central and southern India. East and northeast India continued to face a cumulative deficit of 27 per cent, while the south peninsula was 18 per cent below normal.

Kharif sowing accelerated as the rains revived but remained behind last year's level.
The surge in tractor purchases may reflect factors beyond the monsoon — including cashflows from the previous rabi harvest, replacement demand, favorable crop prices, government support, and the need to complete operations within a shorter sowing window.

Analysts noted that the uptick in purchases signals confidence among both farmers and lenders, though the full demand outlook will become clearer once farm incomes materialise around the festive season.
"The current growth in tractor sales reflects strong farmer sentiment and improved access to finance. Farmers may require more agricultural inputs during a rain-deficient year but the real impact on tractor demand will become clearer around Diwali, when their actual cashflows emerge," said Anurag Singh, managing director and chief operating officer, global capacity hub, at consulting firm Primus Partners.

"The present uptick is surprising and indicates confidence among both farmers and lending institutions," Singh added.
Fada nevertheless cited monsoon performance and El Niño as key risks for rural demand in the coming months. With the IMD forecasting below-normal rainfall for August and September, sustained tractor demand will depend on rain distribution, reservoir levels, and how quickly the kharif sowing gap closes.