

# Farmers need support from tractor manufacturers

Torrential rains caused widespread damage to crops, the capricious climate has also lowered expectations from the Kharif yield threatening the livelihood of farmers. Compounded by the increasing costs in seeds and labour, farmers are finding it unviable to purchase new tractors.

It was only recently when there was a boom in tractor sales, which saw sales doubling from 303,000 units to 645,000 in just seven years. Today, tractor sales are poised to suffer significant decline as farmers are renting their tractors out to supplement their income.

## TRACTOR RENTALS AS AN ALTERNATE SOURCE OF INCOME

The J.D. Power Asia Pacific 2015 India Tractor Product Performance Index (TRPPI) Study notes that more than one-third of the farmers surveyed rent out their tractors. The highest incidence of tractor rental is seen in some of the poorest states of India like Bihar (81%), West Bengal (71%) and Chattisgarh (58%). Across the fourteen states covered in the study, the 41-50 HP is the most popular tractor size in the rental market.



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Indian agriculture is characterized by small and marginal farms, defined as having less than 2 hectares of land, and the cost to operate these small farms is much higher compared to large operations that can enjoy greater economies of scale. In addition, not only does it cost more to

operate, the agriculture yield that can be expected from these small farms is much less than larger operations. To illustrate, less than a quarter of small land farmers assess their present income from agriculture to be good compared with more than a third of large land farmers who report the same.

As a result, a higher percentage (45%) of small and marginal farmers are renting out their tractors to generate alternative income, compared with farmers of large land holdings (29%). This is especially viable as tractors are increasingly becoming more technologically advanced and offer an array of functions and applications that make them suitable to be rented out for non-agriculture use.

## DRAWBACKS OF TRACTOR RENTALS FOR FARMERS

While tractor rental income may look like a lucrative proposition, farmers must be cautioned that it might have the opposite intended effect of incurring higher costs of maintenance and repairs that result from tractor misuse. One drawback that many tractor owners face is that they have limited control over the proper use of their machines when renting. Rough handling and driver misuse are commonplace resulting in early and premature tractor failures.

This poses notable challenges for tractor manufacturers who face a rising number of quality issues as farmers increase their rentals. The study finds breakdown rates are double for rented tractors compared with non-rentals hitting the wallets harder for farmers looking for an additional income. On



average, owners who rent out their tractors report an overall problem count of 262 problems per 100 tractors (PP100), while those who do not rent out their machines report 174 PP100.

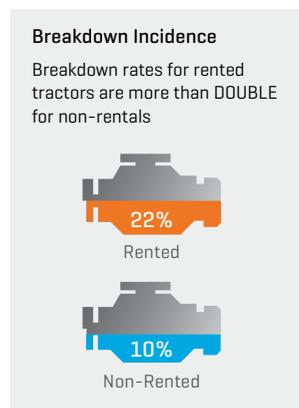
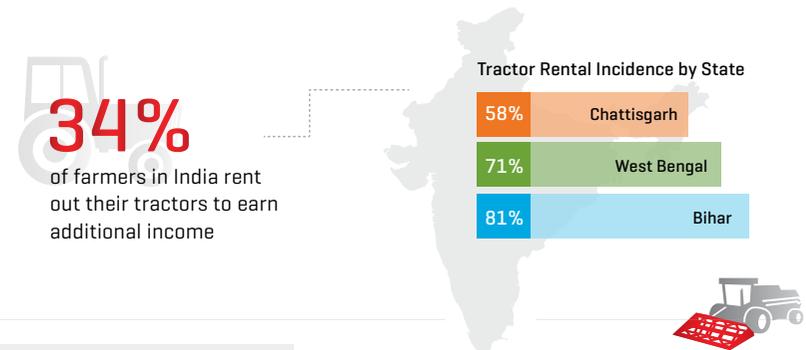
The greatest difference in problems reported by these two group of owners is seen on engine and transmission followed by driving and operation. The top problems reported relate to clutch pedal effort, tyre wear, and gearshift operation.

### THE IMPACT TRACTOR RENTALS HAS ON MANUFACTURERS

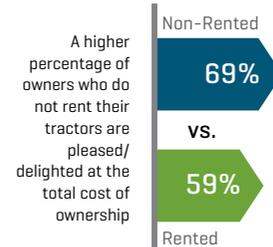
Not only does tractor rental have an impact on the perceived quality of tractor, it also has a discernible impact on brand loyalty and advocacy that tractor manufacturers cannot afford to ignore as it will have a direct impact on their future revenues and profitability. Our TR PPI study finds that nearly 50% of non-renting tractor owners say they will definitely repurchase tractors of the same brand. This loyalty drops to just under 40% for tractor owners who actively rent out their tractors. All this underscores an increasing need for manufacturers and dealers to educate tractor customers on the correct usage and compatibility of their machines for different applications in order to avoid damage and excessive wear. In addition, actively encouraging customers to bring their tractors for regular checks and servicing will help to protect their machines and reduce downtimes. For example, routine maintenance of hydraulic couplings and fittings will prevent unbalanced lifting and lowering of the load, which creates the potential for accidental dislodgement. Scheduled maintenance can also reduce the frequency of parts replacement and diagnose potential failures.

However, the study finds that only 8 percent of owners are contacted by their authorized dealer to bring their tractor in for routine maintenance. In a dampening agrarian market, tractor dealers have an opportunity to create a win-win solution by focusing attention on the after-sales market. Providing a positive experience on service support can have a direct correlation in improving their brand's image, and it can also increase recurring revenue from servicing at a time when

## SPOTLIGHT | Tractor Manufacturers Need to Proactively Support Cash-strapped Farmers in India



**Overall Cost of Ownership**  
Tractor owners tend to have limited control over the proper use of their machines when renting resulting in additional costs for repairs



### Brand Loyalty and Advocacy Intentions



40% of all owners who rent their machines say they 'definitely would' purchase another tractor of the same brand in future, versus 50% of owners who do not rent out their tractors

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debt-ridden farmers are likely to put off new purchases.

Therefore, for tractor manufacturers to help support farmers, it is important that they focus not only in providing the product quality of their machines to cope with increased demands of rental work, they must also invest time and resources in advising customers on how best to maintain and use their machines across a

variety of applications. Brands and dealers that can help farmers protect more of their rental incomes by improving the overall quality and performance of their machines, will certainly enjoy the benefit of improved loyalty amongst their customers.

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