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Publication	Date	Online Edition	Article
The Hindu Business Line	05, Oct, 2025	Worldwide	Read More

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How GST 2.0 enables growth in rural incomes through affordable farm inputs and mechanisation

The reforms are designed to benefit all segments of the vast farming community, especially small and marginal farmers who constitute the majority

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Updated - October 05, 2025 at 09:45 AM.

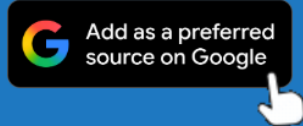




For years, the village fields of India echoed with two stories: one of perseverance and one of frustration. Across the heartland, small and marginal farmers would strategise for the Kharif season only to encounter a maze of tax rates—one for seeds, a higher one for tractors, another for pesticides and sometimes even more for the packaged goods they tried to sell. While raw produce returned from the Mandi tax-free, a tractor purchase could shoulder a 12 per cent GST, and a bottle of pesticide, meant to save a standing crop, would demand 18 per cent more from a tight budget. Most basic farm tools escaped GST, but the cost of machinery and inputs soared—just as compliance complexity and cascading taxes ate into even modest profits. Large enterprises could claim input tax credits and navigate the system, but for the tens of millions working under two hectares—often unregistered under GST- every new invoice meant uncertainty. The system that was meant to simplify, at times, added new layers of confusion.

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Amid persistent challenges, September 2025 brought a fresh breath of air. After years of advocacy and countless feedback sessions across rural districts, the government unveiled GST 2.0—a reform rooted as much in empathy as in economics. The announcement rippled across broadcasting networks and social media, sparking instant nationwide debate. Key Agri-linked sectors saw sweeping relief: tractor engines under 1800 cc fell from 12 per cent to 5 per cent; fertilisers and bio-inputs were slashed from 18 per cent to 5 per cent; and essentials like dairy, honey, fish and food processing were all brought down to the lowest slab. Suddenly, barriers facing small cultivators and rural cooperatives seemed breakable, and conversations shifted from “how to manage costs” to “how to grow.”

As markets recalibrated and price tags changed overnight across 28 states and 8 UTs, GST 2.0 was rapidly implemented starting September 22, directly tackling the most entrenched pain points in rural India.

GST 2.0—From announcement to nationwide implementation

The roll-out of GST 2.0 was as swift as its impact was visible. Machinery dealers updated millions of price lists, and Union Agri Minister Shivaraj Singh Chauhan directed that the benefits were passed to farmers with transparency. Major tractor models saw cost reductions of ₹41,000 to ₹63,000, and implements from threshers to pumps lost 8–20 per cent of their sticker price. For the first time, even marginal farmers could envision a mechanised harvest, and savings festivals marked the transition in local mandis.

How GST 2.0 reduces cultivation costs

GST 2.0's sharp reductions translated quickly to the real economy. GST on Major fertiliser inputs like sulphuric acid, nitric acid and ammonia dropped to 5 per cent from 18 per cent, giving relief to more than 60 million users across the countryside. Several biopesticides, such as Bacillus thuringiensis, Trichoderma varieties, neem pesticides and NPV strains, were also reclassified to the 5 per cent category.

Power tillers, drip irrigation sets and composting units, newly accessible at 5 per cent GST, came within the grasp of farm collectives.

Together, these changes lowered cultivation costs by nearly ₹8,000 per hectare, a meaningful margin for sustenance and reinvestment among India's 140 million farmers.

Enabling farm mechanisation and efficiency gains

Mechanisation, the backbone of productivity, finally spread beyond large landholders. Implements such as straw reapers, super seeders and happy seeders saw price reductions between ₹10,000 and ₹21,000, making these machines affordable to a wider range of farmers. Beyond economic advantages, these mechanised solutions are pivotal in addressing air pollution caused by crop residue burning. As more farmers adopt equipment that allows for in-situ management of straw, in States like Punjab and Haryana. The availability of affordable machinery not only boosts timely sowing and harvest efficiency but also plays an important role in reducing the hazardous smoke and particulate matter that contribute to seasonal smog, benefiting millions in Northern India and improving overall environmental health

Boosting rural incomes and the agri-economy

Dairy, valued at ₹12 lakh crore and central to 85 million livelihoods, gained as GST on staples like ghee and butter dropped to 5 per cent. Aquaculture units and apiculture, along with nearly 10 lakh beekeepers, expect profit margins to improve as inputs and processed goods become competitive. Organic and climate-resilient farming, supported by bio-pesticide GST slashed to 5 per cent, turned sustainable choices into rational ones for 1.5 million cultivators and close to 10,000 FPOs.

Strengthening the agricultural supply chain

The impact of GST 2.0 is expected to extend well beyond the farm gate, reaching deep into the critical infrastructure that supports India's agricultural economy. Lower GST rates on logistics services, commercial vehicles, cold storage facilities and food processing units have created favourable conditions for increased investment and modernisation of agri-supply chains.

These reforms have encouraged both public and private sector players to boost capacity and efficiency. Enhanced investment in cold storage and warehousing can certainly help in reducing post-harvest losses, which historically have been as high as 30-40 per cent for perishable commodities. The reduction in GST on commercial vehicles from 28 per cent to 18 per cent lowers transportation costs, making it more affordable to move produce swiftly and safely from farms to urban markets.

Driving inclusive rural prosperity

GST 2.0's reforms are designed to benefit all segments of India's vast farming community, especially small and marginal farmers who constitute the majority. As of 2025, over 10,000 Farmer Produce Organisations (FPOs) have been formally registered and are actively working to improve collective bargaining, market access, and input procurement for their members. Government extension programs have reached millions of farmers through Krishi Vigyan Kendras (KVKs) and allied networks,

providing training on mechanisation, sustainable farming practices and the benefits of GST reforms. These measures contribute to enhancing incomes, reducing inequalities and fostering sustainable livelihoods, aligning closely with the national vision of inclusive and resilient rural development under the “Viksit Bharat” framework.

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