

Brazil

Repurposing of agricultural support policies and programmes under Plano Safra 2023/24

Context

In recent years, Brazil has positioned itself as a highly competitive country for agricultural exports in the world. The level of support to the sector is relatively low, reflecting the competitiveness of its exports. Meanwhile, **Brazil has been increasingly greening the direct support provided to its farmers.**



Although direct farmer support announced in Brazil's new farm credit package (Plano Safra 2023/24) has increased recently, the total support estimate (TSE) declined from 0.7% of GDP in 2000–02 to 0.5% in 2020–22.¹ Already low levels of direct farmer support (producer support estimate – PSE) show a downward trend over the past 20 years, falling from 9.1% in 2000 to 1.5% in 2019. However, over the past three years, PSE has been increasing due to an increase in market price support (MPS). Brazil's total support to producers is composed of: (i) input payments, in particular agricultural credit at preferential rates;² (ii) risk management instruments (crop insurance premium subsidies),³ and (iii) support via MPS.

Plano Safra 2023/24 is the highest level of support in Brazil's history, with an increase of 27% over last year's figures.⁴ Support to family farmers has increased in this package and is 34% more than in 2022/23.

Since 2008, the obtention of subsidized rural credit is conditional on environmental criteria, such as registration in the Environmental Rural Registry (CAR) and compliance with zoning rules that promote environmental improvements, such as the preservation of forest and native vegetation. In 2010, only 21% of direct farmer support was considered green. This was also the year when the Brazilian Plan for Adaptation and Low Carbon Emission in Agriculture

¹ OECD. 2023. *Agricultural Policy Monitoring and Evaluation*. OECD Publishing, Paris, France.

² Most of the rural credit is earmarked under the National Rural Credit System and provided at preferential interest rates with differentiated conditions for small and medium-size farmers. Additional sources of preferential rural credit are a coffee fund and agribusiness credit notes.

³ Three main agricultural insurance programmes provide support in the form of insurance premium subsidies or by compensating farmers for production losses due to climatic adversities: the Agricultural Activity Guarantee Programme, the Price Premium Subsidy Programme and Garantia-Safra.

⁴ Approximately 45% of farm credit to commercial farmers is not subsidized.

(ABC+) was introduced – the largest credit subsidy scheme globally supporting the adoption of climate-smart agriculture (CSA) technologies/practices. Since then, credit lines supporting the adoption of CSA practices have seen an increase either in their number or their uptake by farmers. The Ministry of Agriculture and Livestock (MAPA) did an ex-post assessment of credit lines subsidized during the agricultural years 2019/20, 2020/21 and 2021/22, and assessed that 61% of the amount of credit under Plano Safra directed at investment in 2021/22 supported investment in sustainable and low-carbon agriculture. For 2021/22, MAPA estimated that 47% of Plano Safra's resources for rural credit (investment and working capital) supported sustainable agricultural production systems (BRL118.66 million).

Rationale

The agrifood sector in Brazil is both highly vulnerable and a significant contributor to climate change. The World Bank found that the agricultural sector already loses, on average, the equivalent of 1% of agricultural GDP annually as the consequence of extreme climate events.⁵ On the other hand, land use change (primarily deforestation) and agriculture represent the bulk of Brazil's greenhouse gas emissions (at 52% and 24% respectively). However, Brazil is leading the way in shifting farmer subsidies towards CSA solutions. Brazil has a well-developed legal framework and guidelines for adapting its agricultural sector to climate change, in its national sectoral strategy ABC+.

Agricultural credit – Brazil's main form of support – is conditional on implementation of environmental conditions, and credit lines supporting mitigation and adaptation practices are increasing.⁶ With the 2023/24 Plano Safra, Brazil has increased the focus of its rural credit towards supporting climate-smart agriculture. From approximately BRL92 billion in the 2023/24 Plano Safra, about 7.52% is directly linked to the adoption of CSA technologies/practices (ABC+/RenovAgro), while 29.89% relates to other credit lines supporting investment in agricultural innovations and machinery for farmers who choose low-carbon technologies. Brazil aims to further increase its support to CSA, through a national programme for restoration of degraded pastures. This would support farmers' investments in restoring the productivity of degraded areas in the country to increase production while limiting pressure on forested areas. Brazil is also gradually shifting its direct support to farmers towards risk management instruments (such as agriculture insurance and partial credit guarantees) combined with other risk mitigators such as technical assistance to lower farmers' credit risk.

In recent years, public support to public goods in the sector (e.g. research and development (R&D), infrastructure) has been decreasing as a share of the total support estimate (from 30% of TSE in 2014 to 16% in 2021) and as a share of agricultural production (from 3.4% of agricultural value of production in 2000–02 to 1% in 2019–21), indicating that it has not kept pace with the sector's growth. Thus, an important recommendation for Brazil would be to refocus and increase support towards agricultural public goods and services (strengthening the support and greening of R&D, animal plant/health, One Health, rural infrastructure, etc.)

⁵ World Bank. 2017. *Policy Note for Strengthening the Agricultural Insurance Market in Brazil*. Washington, DC, USA.

⁶ With the 2023/24 Plano Safra and its increased focus on CSA, this share of green subsidies could become higher (reaching 50% in the coming years).

to increase the generation and diffusion of innovations for sustainable and low-carbon agriculture.

Approach

To further support the transition toward climate-smart agriculture, Brazil is expanding access to credit for farmers willing to implement mitigation and adaptation practices, lowering the cost of such investment through subsidized credit. The 2023/204 dedicated credit line to support investment in sustainable practices⁷ (RenovAgro, ABC⁸), though only representing 1.9% of the total Plano Safra (1.8% in 2022/23), has seen its share of long-term loans increase (from 6.6% in 2022/23 to 7.5% in 2023/24). It carries the lowest interest rates for large farmers (7%).⁹ Other lines of credit, such as the Programme to Encourage Technological Innovation, the Programme for Modernization of Agriculture and Conservation of Natural Resources, the Programme for Modernization of Mechanization, and the Programme for Irrigation also cover investments in the adoption of sustainable technologies, and the recovery of degraded areas.¹⁰ For the first time, the 2023/2024 Plano Safra is also encouraging the adoption of sustainable practices through an increased interest rate reduction equivalent to 0.5 percentage points on the total financing cost of short-term loans to: (i) producers who already have their entry on the Environmental Rural Registry analysed¹¹, and (ii) producers who adopt agricultural practices that are considered more sustainable, such as organic or agroecological production, and the use of bio-inputs and organic fertilizers. With its programme on the restoration of degraded pastures, Brazil hopes to further expand this support to CSA.

This financial support is also linked to the provision of technical assistance and extension services to farmers to foster the adoption of CSA practices, including through the World Bank-supported project, Sustainable Multiple Use Landscape Consortia in Brazil. This project aims to increase the area of land under sustainable management and promote the integration of food systems and sustainable landscapes, the conservation of biodiversity, and the recovery of degraded areas in selected beef cattle and soybean landscapes.

Furthermore, Brazil is working with the World Bank to identify and develop further repurposing options towards a greener and more resilient sector, in particular relating to rural credit and risk management instruments.

⁷ Amongst the supported practices are recovery of degraded areas and pastures, integrated crop–livestock–forestry systems, conservation practices for the protection of natural resources, organic agriculture, the restoration of permanent preservation areas or legal reserves, the production of bio-inputs and biofertilizers, and systems for generating renewable energy.

⁸ The World Bank supported the implementation of the *Programa Agricultura de Baixo Carbono* (ABC) from 2014 to 2019, through technical assistance and the training of farmers.

⁹ The other lines of credit benefit from subsidized interest rates varying from 8% to 12.5%.

¹⁰ A study done by the Ministry of Agriculture with the Climate Bond Initiative (CBI) in 2022 estimated that in 2020/21 13.5% of Plano Safra was fully aligned with CBI's criteria for sustainable agricultural practices. <https://www.gov.br/agricultura/pt-br/assuntos/noticias/analise-da-cbi-aponta-que-linhas-de-credito-oferecidas-pelo-plano-auxiliam-no-fomento-da-sustentabilidade-agricola-brasileira>

¹¹ As of April 2023, only 26% of producers registered on the CAR had any type of analysis and recommendations. States are the administrative entities responsible for analysis of the CAR.

Experience and emerging results achieved

Land use change and agriculture accounted for 52% and 24%, respectively, of Brazil's total greenhouse gas emissions between 2000 and 2020. Scaling up the ABC+ plan for low-carbon agriculture presents a substantial potential to lower greenhouse gas emissions in the agriculture, forestry and other land-use sector. Projections indicate that full implementation of the ABC+ plan to achieve the sector's goals relating to nationally determined contributions provides the opportunity to reduce greenhouse gas emissions by 48% by 2030, when compared to a business-as-usual scenario. Furthermore, the extra incentive given on the interest rates to farmers who have validated entries in the Environmental Rural Registry, could help foster the implementation of the Forest Code, curb illegal deforestation and foster restoration of degraded protected areas. As an example, when Brazil reduced deforestation in the Amazon rainforest by 80% between 2004 and 2012, it reduced emissions from land-use change by 65%.



This is one in a set of country case studies demonstrating policy action that individual countries are taking with the aim of transition to sustainable agriculture. They are country owned and do not represent wider views of the Policy Dialogue participants.