TECHNICAL STUDY:

The Potential for Leveraging **Degraded Pasture Conversion** with Rural Credit

Leila Harfuch
Gustavo D. Lobo
Lauro Vicari

AGROICONE
conhecimento para uma nova economia

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Leila Harfuch
Gustavo D. Lobo
Lauro Vicari

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SUMMARY

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1. INTRODUCTION

The importance of Brazil's cattle ranching industry is reflected in its market strength, making Brazil the world's second-largest beef producer and the largest exporter. Even in the face of a robust market, the cattle industry faces a dual reality, marked by low productivity, particularly due to extensive pasture land areas with low productive capacity.

The National Program for Converting Degraded Pastures into Sustainable Agricultural and Forestry Production Systems (PNCPD), which was created by Decree No. 11815/2023[1], was recently incorporated into the Caminho Verde (Green Parth) Brasil initiative[2], and serves as the main strategy aimed at directing actions, solutions, and financing toward recovering or converting degraded pastures into sustainable production systems in Brazil.

The initiative's ambition is high, with expectations of converting or intensifying approximately 40 million hectares of pastures with some degree of degradation. A recent mapping study conducted by GPP/ESALQ, in partnership with Agroicone and coordinated by MAPA[3], identified 27.7 million hectares of pasture with some degree of degradation located on rural properties that are free of deforestation after 2008, not overlapping with restricted areas and possessing the biophysical suitability and economic characteristics for intensification and/or conversion in the short term.

With such a large area to be restored, there is a clear need for directing financial resources and incentives so that rural properties can transition to more sustainable and climate-resilient production systems. This is where Eco Invest comes in as part of the funding and implementation strategy of the PNCPD/Caminho Verde, which, based on a Blended Finance model using public (through the Climate Fund) and private financial resources, seeks to attract capital to leverage funding for converting degraded pasture areas.

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[1]Available at: https://www.planalto.gov.br/ccivil_03/_ato2023-2026/2023/decreto/d11815.htm

[3]BRASIL (2025). Caminho Verde Brasil: Land Restoration and Food Security. Available at: https://www.gov.br/agricultura/pt-br/campanhas/caminho-verde

[3]BRASIL (2024). Conversion of degraded pastures into sustainable agricultural, livestock, and forestry production systems: Prioritizing areas and investment estimates. Agriculture and Cattle Ranching Ministry. Innovation, Sustainable Development, Irrigation, and Cooperatives Secretariat; Intelligence Center for Land Governance and Sustainable Development; Agroicone; Imaflora; ESALQ Public Policy Group. – Piracicaba, SP,MAPA, 2024. Available at: https://agroicone.com.br/publicacao/conversao-de-pastagens-degradadas-em-sistemas-de-producao-agropecuarios-e-florestais-sustentaveis-priorizacao-de-areas-e-estimativas-de-investimentos-brasil/

In addition to these financial resources, MAPA continues to seek funding abroad, though this involves significant challenges in terms of securing and implementing such funds, such as exposure to exchange rate volatility.

Eco Invest is another tool in the context of sustainable finance. The rural credit policy includes a broad range of programs and subprograms aimed at productive transition and climate resilience that are already in effect in Brazil and adhere to the principles of the Caminho Verde initiative. Programs such as RenovAgro or Pronaf's labeled subprograms — including Bioeconomia (Bioeconomy), Agroecologia (Agroecology), Semiárido (Semi-Arid), and Florestas (Forests) — comprise this public policy sustainable finance ecosystem, and are intended for purposes that are compatible with Caminho Verde and Eco Invest.

In this regard, Agroicone developed a methodology[4] aimed at identifying and measuring rural credit policy funds aligned with Brazilian agriculture's sustainability journey, identifying a potential amount that could range from approximately R$ 10.8 billion (when considering only funds associated with labeled investment subprograms) to R$ 71.4 billion (when incorporating all variables that are capable of attesting to the sustainability journey in credit) in the 2024/2025 harvest alone. The presented rating can assist in better directing rural credit resources toward interventions that are capable of mitigating negative environmental externalities, potentially optimizing the expected results of the Caminho Verde Brasil initiative regarding degraded pasture recovery/conversion.

Given this intersection between the PNCPD/Caminho Verde, Eco Invest, and rural credit policy, this study seeks to map the similarities and differences among these agricultural policy instruments, highlighting eligibility criteria, objectives, financing conditions, and funding sources. In addition, an analysis was conducted for identifying the profiles of those rural credit contracts that intersect with the PNCPD/Caminho Verde and Eco Invest, as well as their respective contracting parties, presenting estimates of the current (actual) and potential demand for financial resources aligned with the principles of the PNCPD/Caminho Verde and Eco Invest. Based on the analyses and evidence, proposals are presented for making agricultural policy instruments complementary and efficient with the objectives of the PNCPD/Caminho Verde, in addition to the regulatory changes required for implementing the recommendations.

[4]LOBO, G. D.; VICARI, L. M.; HARFUCH, L. Methodology for measuring rural credit in line with the agricultural sustainability agenda. 1.ed. São Paulo: Agroicone, 2024. Available at: https://agroicone.com.br/wp-content/uploads/2024/12/metodologia-creditorural.Agroicone.en_.pdf

2. PNCPD / CAMINHO VERDE BRASIL, AND ECO INVEST

The New Brazil – Ecological Transition Plan (PTE)[5] that comprises the Program for Mobilizing Foreign Private Capital and Exchange Rate Protection that is coordinated by the Finance Ministry – the Eco Invest Brasil Program is one of the financial arms dedicated to raising and directing both external and internal resources for funding projects focused on climate change mitigation and adaptation, environmental conservation, and sustainable use of natural resources, seeking to drive the ecological transformation of the Brazilian economy, including the agricultural sector.

Decree No. 11815/2023[6] established the National Program for Converting Degraded Pastures into Sustainable Agricultural and Forestry Production Systems, the PNCPD. This initiative was later renamed Caminho Verde Brasil, and is based on the assessment that Brazil's primary agricultural and environmental challenge — as well as its greatest opportunity — lies in converting pastures with some degree of degradation (low or medium vigor pastures) into sustainable agricultural or forestry systems. Conversion or intensification of 40 million hectares is expected within 10 years.

Given this historical context of prioritizing impact investments based on identifying challenges and opportunities arising from degraded pastures, Eco Invest emerges as the initial financial arm for implementing Caminho Verde within the broader PTE strategy. Eco Invest was initially established via Provisional Measure No. 1213/2024[7] and regulated by Chapter VI of Law No. 14995/2024[8], and its primary objective is to build a solid financial framework for encouraging investments in ecologically based projects and those associated with the transition to sustainable practices and technologies, attracting foreign capital, facilitating capital market operations, and supporting the development of the foreign exchange hedging market.

Operations will take place under the National Climate Change Fund (FNMC), also known as the Climate Fund (Fundo Clima), with four sub-funds designed for companies and investors:

[5] https://www.gov.br/fazenda/pt-br/acesso-a-informacao/acoes-e-programas/transformacao-ecologica

[6] https://www.planalto.gov.br/ccivil_03/_ato2023-2026/2023/decreto/d11815.htm

[7] https://www2.camara.leg.br/legin/fed/medpro/2024/medidaprovisoria-1213-22-abril-2024-795526-publicacaooriginal-171592-pe.html

[8] https://www2.camara.leg.br/legin/fed/lei/2024/lei-14995-10-outubro-2024-796457-publicacaooriginal-173343-pl.html

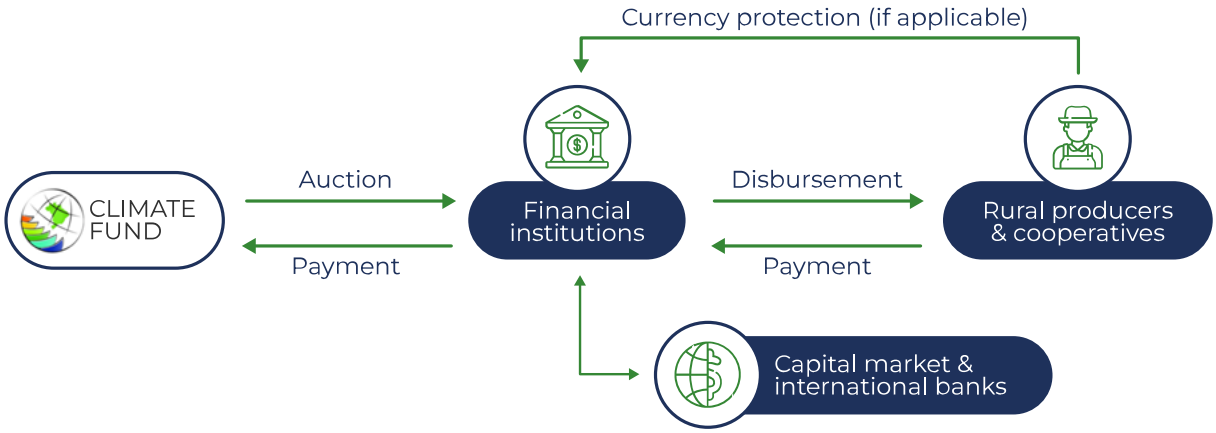
I. Partial financing for offering or enabling credit transactions covering a portion of the funds required by the eligible investment project to be supported (Blended Finance). Figure 1 illustrates the instrument's structure;

II. Liquidity for credit transactions intended for situations related to currency volatility events that could compromise the company's or the investor's liquidity;

III. Currency derivatives or other financial assets intended for offering or enabling currency derivative instruments, including options, forwards, futures, and swaps, with the purpose of partially or fully mitigating the investor's currency risk (currency hedge);

IV. Project structuring for credit operations intended for financing studies and projects

Figure 1: Architecture of Eco Invest's Blended Finance instrument



Source: National Treasury. Prepared by Agroicone

Finance Ministry (MF) Resolution No. 964/2024[9], as amended by Finance Ministry Resolution No. 938/2025[10], specifies the eligible and excluded activities, the safeguards, and the criteria for allocating Eco Invest financial resources, as well as its governance structure.

Economic activities eligible for the Eco Invest Program must, as a matter of principle, contribute to decarbonization, increased climate resilience, and

[9] https://sisweb.tesouro.gov.br/apex/f?p=2501:9::::9:P9_ID_PUBLICACAO_ANEXO:25165

[10] https://www.in.gov.br/en/web/dou/-/portaria-mf-n-938-de-29-de-abril-de-2025-626952584

the ecological transformation of production chains. Six categories of eligible activities are listed:

a) Energy transition based on infrastructure, production, and using clean and renewable energy;

b) Circular Economy;

c) Infrastructure for climate change mitigation and adaptation;

d) Bioeconomy and sustainable agri-food systems;

e) Technological intensification of the productive industry for eligible sectors, aiming to boost productivity and generate positive multiplier and spillover effects;

f) Other economic activities provided for in the FNMC or the Climate Plan.

Similarly, ineligible productive activities are defined as those associated with negative externalities for society, such as the alcoholic beverage, tobacco, and arms industries, as well as gambling and polluting energy sources like coal, oil, gas, and their derivatives.

With regard to safeguards, eligible economic activities may not be either directly or indirectly associated with elements such as: i) significant environmental and social harm; ii) human rights violations; iii) child labor and forced labor; iv) violations of the rights of traditional communities and indigenous people; v) illegal removal of native vegetation. It is noteworthy that, for each Eco Invest auction, additional safeguards may be defined, depending on each auction's characteristics.

Financial resource allocation to eligible activities is based on three criteria: financial leverage (the ratio of total catalytic and private financial resources to the nominal catalytic financial resource), the impact index (ratio of mobilized external capital to the present value of the credit subsidy for the public catalytic capital line), and prioritization criteria related to the eligible activities' economic and environmental potential.

Financial institutions ranked as S1, S2, and S3 are eligible to take part in the auctions. For each auction, financial institutions must submit a pre-allocation report that addresses the criteria defined for funding resource allocation (financial leverage, impact index, prioritization criteria, and others).

Penalties shall also be imposed on financial institutions if they fail to provide evidence of private capital mobilization, fail to invest the full amount of

catalytic capital raised within 24 months, fail to comply with social and environmental conditions and safeguards, or fail to submit second-party technical opinions when requested. Penalties may range from formal warnings to suspension of disbursements and reimbursing funds, as well as a ban on participating in other auctions.

CMN Resolutions No. 5130/2024[11] and No. 5205/2025[12] established the rules for disbursement, as well as financing conditions, repayment terms, and operational risk.

For transactions under the blended finance sub-line, financial institutions have up to 24 months after the first disbursement to submit the schedule for mobilizing external capital for the project. Following approval of the auction, 25% of the loan amount is transferred to the institution.

For a new 50% disbursement to occur, the financial institution (FI) must demonstrate the allocation of at least 25% of the projected external funds within 12 months after the first disbursement. In cases where at least 25% are not mobilized, interest is charged proportionally to the amount of un-mobilized foreign capital, at the reference rate of the Special Settlement and Custody System (Selic). Once the 75% mobilization of the projected foreign funds is verified, the remaining funds are disbursed.

The effective interest rate is 1% per annum, to be paid by the financial institution receiving the funds. The repayment term is 10 years, and the risk associated with the transactions is entirely borne by the FI.

The financing offer may be made through multiple instruments, such as debt securities, loans, securitization instruments, and investment fund shares. These instruments shall be directly backed by projects which are compatible with the Eco Invest principles, in addition to complying with all monitoring and safeguard requirements.

The first Eco Invest auction, which was established under STN/MF Ordinance No. 1135/2024[13], and amended by MF Ordinance No. 1308/2025[14], focused on solar and wind energy projects and energy transmission. The Ordinance, in addition to defining the criteria for allocating and transferring funds — such as the minimum bid of R$ 100 million, deadlines, and accountability requirements — also establishes mechanisms for stimulating competition among financial institutions.

[11] https://www.bcb.gov.br/estabilidadefinanceira/exibenormativo?tipo=Resolu%C3%A7%C3%A3o%20CMN&numero=5130

[12] https://www.bcb.gov.br/estabilidadefinanceira/exibenormativo?tipo=Resolu%C3%A7%C3%A3o%20CMN&numero=5205

[13] https://www.in.gov.br/en/web/dou/-/portaria-stn/mf-n-1.135-de-11-de-julho-de-2024-571469142

[14] https://www.in.gov.br/en/web/dou/-/portaria-stn/mf-n-1.308-de-19-de-agosto-de-2024-580110791

The second auction, Recovery of Degraded Lands, established by STN/MF Ordinance No. 926/2025[15], as amended by STN/MF Ordinance No. 1416/2025, focuses on recovering degraded areas by intensifying/converting agricultural production, covering the entire national territory (with the possibility of additional safeguards applying to the Amazon biome).

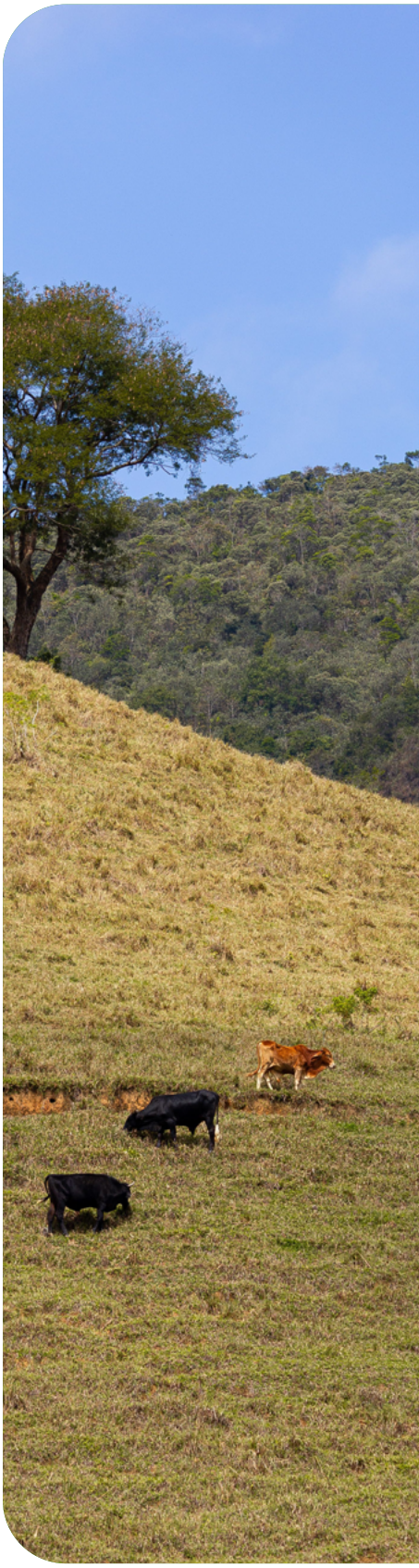
The auction establishes additional safeguards regarding active registration in the Rural Environmental Registry (CAR), absence of deforestation — even if legal — as of December 6, 2023, and overlaps with restricted areas. These criteria shall be monitored throughout the contract term, using consolidated databases that are already used by the relevant authorities.

Eligible beneficiaries may include both producers and their cooperatives, as well as anchor companies. Partnerships are also possible between FIs and companies in the agricultural industry acting as intervening parties or supporters, providing technical assistance, sharing risks, or contributing direct or indirect benefits to the project's implementation.

Eligible activities are also established, such as integrated and agroforestry systems, perennial crops aligned with the principles of regenerative agriculture, planted forests and forest recovery, cattle ranching, and annual crops, provided that the process of improving soil health is guaranteed.

The auction also provides for the possibility of the FI using the funds to set up an investment fund that comprises the Eco Invest premises.

Finally, social and environmental considerations are required, such as adopting practices aimed at water resilience, in addition to other sustainable practices, such as no-till farming, pasture staking, using certified seeds, animal traceability, integrated pest stewardship, using bio-inputs, as well as other technologies and practices.



[15] https://sisweb.tesouro.gov.br/apex/f?p=2501:9::::9:P9_ID_PUBLICACAO_ANEXO:25171

3. RURAL CREDIT X PNCPD/CAMINHO VERDE X ECO INVEST

Decree No. 11815/2023, which created the PNCPD, already provides a set of eligibility criteria for the Program and established the Interministerial Steering Committee of the National Program for Converting Degraded Pastures into Sustainable Agricultural and Forestry Production Systems (PNCPD) (CGPNCPD), an advisory and decision-making body for the program. CGPNCPD Resolution No. 7 of July 22, 2025, provided details on the general rules for implementing the PNCPD.

As previously outlined, the primary mission of the Second Eco Invest auction is to direct financial resources by means of a blended finance instrument for funding degraded pasture intensification/conversion projects that are in compliance with social and environmental standards and that conserve natural capital.

The rural credit policy, in turn, is also aligned with these principles, as it has a set of eligibility criteria, as well as programs and subprograms aimed at financing the productive transition. This section seeks to highlight the similarities between these public policy instruments, as well as their main differences.

3.1. ELIGIBILITY CRITERIA

Both rural credit and the PNCPD/Caminho Verde and Eco Invest programs establish a set of eligibility criteria that define the minimum requirements for accessing financing. These criteria include compliance with land tenure, social, labor, and environmental regulations. Table 1 summarizes the eligibility criteria for both policies.

Table 1: Invest Eligibility criteria for rural credit and the PNCPD/Caminho Verde program through Eco Invest

Eligibility criteria	Rural credit – Annual Agricultural Plan	Eco Invest
Rural Environmental Registry (CAR) registration	Requires (MCR 2-9-3) registration and that it is not cancelled or suspended, with exceptions related to family farmers of the PNRA and traditional peoples (MCR 2-1-12 to 15)	Requires active registration with no outstanding issues (STN/MF Ordinance No. 926/2025, Chapter III, Article 4, items I and II)
Overlapping with restricted areas	Requires (MCR 2-9-5, 7, 8, 14) with exceptions for producers who qualify as indigenous or quilombola beneficiaries or who possess a Conservation Unit Management Plan (MCR 2-9-5, 6, 7b, 9, 15)	Requires (STN/MF Ordinance No. 926/2025, Chapter III, Article 5, item I), with the exceptions established in the item itself, directed to beneficiaries who legally reside in restricted areas.
Slave-like work	Requires (MCR 2-9-4)	Requires (Ministry of Finance Ordinance No. 964/2024, Chapter I, Section III, Article 5)
Embargoes	Requires (MCR 2-9-10), except for projects with the sole purpose of restoring vegetation in the embargoed area (MCR 2-9-11)	Requires (STN/MF Ordinance No. 926/2025, Chapter III, Article 5, item II)
Zero illegal deforestation	It requires, starting in April 2026 for medium and large properties and in January 2027 for small properties (MCR 2-9-17; CMN No. 5,268/2025), with a cutoff date of July 2019. In case of observed deforestation, proof is required (MCR 2-9-18). This rule is already in effect for resources sourced from BNDES.	Requires, with a cut-off date of July 2008 (STN/MF Ordinance No. 926/2025, Chapter III, Article 5, item III)
Zero legal deforestation	Does not require	Requires, with a cut-off date of December 2023 (STN/MF Ordinance No. 926/2025, Chapter III, Article 4, item III)

Eligibility criteria	Rural credit – Annual Agricultural Plan	Eco Invest
Non-funding of suppression	The granting of credit with controlled and earmarked funds for projects that foresee the suppression of native vegetation is prohibited (MCR 2-9-16).	It requires a commitment to zero legal deforestation on the financed properties (STN/MF Ordinance No. 926/2025, Chapter VI, Article 10, item III).
Risk of spillo-ver from deforestation	For BNDES (Brazilian Development Bank) resources, it incorporates the risk of deforestation spillover with an embargo, meaning it blocks the beneficiary, not the property.	It requires commitment to zero illegal deforestation across the entire economic group of the target property (STN/MF Ordinance No. 926/2025, Chapter VI, Article 10, Item II).
Monitoring during the term of the credit agreement	For costing and investment contracts, remote sensing monitoring of socio-environmental criteria is used, in addition to issues such as soil suitability and degradation for properties larger than 300 hectares starting in March 2026 (CMN Resolution No. 5267/2025). For resources sourced from BNDES, active deforestation monitoring is conducted via MapBiomas Alerta.	Requires (STN/MF Ordinance No. 926/2025, Chapter III, Article 4, paragraph 1, item I)
Degradation analysis	Requires, starting in March 2026, all costing and investment contracts using remote sensing for properties larger than 300 hectares will (CMN Resolution No. 5267/2025).	Requires (STN/MF Ordinance No. 926/2025, Chapter III, Article 4, Paragraph 2)

Source: Rural Credit Manual, Interministerial Steering Committee of the National Program for Converting Degraded Pastures into Sustainable Agricultural and Forestry Production Systems (PNCPD), and the Finance Ministry. Prepared by Agroicone

The policies require potential beneficiaries to be registered in the CAR and that their registration not be canceled or suspended. In the case of rural credit, there are some exceptions regarding family farmers settled under the National Agrarian Reform Program (PNRA), indigenous people, fishermen, and extractivists (CMN Resolution No. 5193/2024). Additionally, the credit policy enables access for those with an active CAR, even if there are pending

issues directed at producers by the relevant authorities. On the other hand, the PNCPD/Caminho Verde and the Second Eco Invest Auction require that the CAR be active and that producers have no outstanding issues regarding compliance with notifications issued by the relevant authorities (CGPNCPD Resolution No. 7/2025 and STN/MF Ordinance No. 926/2025, respectively).

Another important element considering both conservation and social issues relates to the requirement that a rural property not be either partially or entirely located within restricted areas, such as Conservation Units (UCs), Indigenous Lands (TIs), Quilombola Lands (TQs), and Undesignated Public Forests (FPND), with exceptions for producers who belong to those traditional communities or who have a sustainable stewardship plan for operating in these areas.

Another social safeguard relates to labor analogous to slavery. In cases where a beneficiary (individual - CPF - or company – CNPJ) appears in the registry of employers who have kept workers in conditions that are analogous to slavery, that beneficiary cannot access the funds. The PNCPD/Caminho Verde program follows rural credit regulations (specifically CMN Resolutions Nos. 5193/2024). In the case of Eco Invest, this safeguard is set forth in STN/MF Ordinance No. 926/2025.

Furthermore, several environmental criteria are established. The first of these is prohibition on accessing the fund for properties that are subject to either federal or state environmental embargoes. In the case of rural credit, financing is allowed, providing that it is used for the purpose of recovering vegetation in the area that is subject to the injunction.

Another point worth noting is the criterion incorporated by the BNDES through Circulars SUP/ADIG No. 57/2022 and SUP/ADIG No. 76/2023, which establish the exclusion of beneficiaries that have embargoed areas, regardless of the property, thereby mitigating the risk of deforestation spillover. In other words, it is not the encumbered property that is blocked, but rather the beneficiary, who cannot receive rural credit funds from the BNDES for any properties associated with them. This change applies only to funds managed by banks whose source of funds is the BNDES. It is worth noting that Eco Invest also adopts a similar approach when monitoring deforestation across all properties within the economic group applying for funds; that is, it also mitigates the risk of deforestation spillover (while rural credit does not provide for this type of monitoring).

However, the requirement regarding the embargo alone is not sufficient to prevent producers who have made illegal deforestation from accessing funds. This is because illegal deforestation that has not been embargoed may exist. Thus, both instruments will require, in cases where deforestation is detected, submission of documentation proving legality. For rural credit,

this rule comes into effect in April 2026 for medium and large properties, and in January 2027 for small properties, using July 31, 2019, as the cutoff date for deforestation compliance. The PNCPD/Caminho Verde and Eco Invest impose a more stringent criterion, directly linked to the Forest Code's July 22, 2008 reference date.

Furthermore, the policies include exclusion criteria for projects that involve removal of native vegetation. In the case of rural credit, this applies only to controlled or directed funds; therefore, the financial institution (FI) is allowed to grant this type of financing with other (free) funds. However, the PNCPD/Caminho Verde and Eco Invest programs prohibit rural properties with legal deforestation occurring after December 5, 2023.

Finally, the PNCPD/Caminho Verde and Eco Invest are setting a new benchmark for requirements related to sustainable finance — at least in the context of public policy — which is the imposition of zero legal deforestation criterion that are observed after December 5, 2023, and, in the case of Eco Invest, zero illegal deforestation across the entire economic group to which the financed property belongs (STN/MF Ordinance No. 926/2025). It is also important to note that the PNCPD/Caminho Verde and Eco Invest include monitoring criteria, to the extent that they require compliance with eligibility criteria throughout the entire term of the contract. In this regard, the rural credit policy requires that financing contracts must stipulate that any non-compliance with the social and environmental and climate criteria set forth in MCR 2-9 may result in the operation being disqualified (MCR 2-9-19), effective as of January 2, 2026.

Furthermore, the PNCPD/Caminho Verde and Eco Invest programs require observance of the results and impacts of interventions performed in terms of soil quality gains, greenhouse gas (GHG) emission reduction, and other positive environmental externalities. Additionally, proof is required that the area that is targeted for financing is degraded in order for it to be eligible for the funding. Compliance with the compatibility of the area and the financed activity with the program or line of credit, as well as agricultural suitability and soil quality, are also stipulated in rural credit, from March 2026, for those projects that cumulatively cover an area exceeding 300 hectares and enter into financing or investment contracts.

In short, both the PNCPD/Caminho Verde and Eco Invest can be considered a new paradigm regarding the incorporation of social and environmental and climate criteria within the context of sustainable finance and public policy, even though the criteria for granting rural credit have been significantly improved over time.

3.2. FINANCED PRODUCTIVE PRACTICES

Brazil is a major global leader in terms of developing sustainable production practices and systems adapted to the context of tropical agriculture and livestock farming. It is precisely for this reason that both policies discussed here define, in addition to eligibility criteria, a set of production systems to be fostered with the allocation of funding resources.

The PNCPD/Caminho Verde lists the production systems of the enterprises to be financed under Programa Caminho Verde, based on converting degraded pastures (CGPNCPD Resolution No. 7/2025): improved pasture; annual and semi-perennial crops; integrated systems combining agriculture, cattle ranching, and/or forestry (crop-livestock (ILP), crop-forestry (ILF); livestock-forestry (IPF), and crop-livestock-forestry - ILPF); integrated agroforestry and fruit-growing systems; perennial crops for biofuel production; and forestry of exotic and native species.

Eco Invest addresses practices as social and environmental counterparts. However, these are essentially actions, practices, production systems, and technologies aimed at productive transition, GHG mitigation, and climate resilience. Table 2 compiles some of these practices and the respective rural credit programs and subprograms that also finance such practices.

Table 2: Set of practices fostered by Eco Invest and credit lines available for financing these practices

Practices promoted from the 2nd Eco Invest auction	Related Rural Credit Investment Lines
Water intake and storage	Proirriga; Pronaf Semiárido; Pronaf Bioeconomia
Efficient irrigation	Proirriga; Pronaf Semiárido; Pronaf Bioeconomia
Soil conservation practices	RenovAgro Manejo de Solos; Inovagro/Moderagro (recuperação dos solos); Pronaf Bioeconomia
Protection of springs and riparian forests	RenovAgro Ambiental; linhas do Pronaf: Floresta, Bioeconomia e Produtivo Orientado (recuperação de Áreas de Preservação Permanente)
Other practices for water resilience	Proirriga; Pronaf Semiárido

Practices promoted from the 2nd Eco Invest auction	Related Rural Credit Investment Lines
No-tillage (NTPS)	RenovAgro Sistema Plantio Direto
Bio-inputs and inoculants	RenovAgro Bioinsumos; Pronaf Bioeconomia
Cover crops	RenovAgro: Sistema Plantio Direto, Manejo dos Solos; Pronaf Bioeconomia
Paddocks	RenovAgro Integração; RenovAgro Recuperação
Pasture rotation	RenovAgro Integração; RenovAgro Recuperação
Planted forests and restoration (and their productive practices)	RenovAgro Florestas Plantadas; RenovAgro Ambiental; Pronaf Floresta; Pronaf Bioeconomia
Annual emissions balance	-
Information on production and productivity	-

Source: Rural Credit Manual and Finance Ministry. Prepared by Agroicone

The set of practices recommended by both policies is broadly aligned with Plano ABC+ — the main strategy related to productive transition in agriculture and livestock. Agricultural practices such as NTPS, using bio-inputs, cover crops, crop rotation, and crop integration are examples of recommended technologies.

In the case of sustainable cattle ranching, degraded pasture recovery, integrated systems, pasture rotation by means of paddocks, and animal traceability are also examples.

It is worth highlighting the differences between the policies. As a social and environmental counterpart related to the fostered practices, Eco Invest requires accounting of the annual greenhouse gas emissions balance, as well as monitoring the main production and productivity indicators of the beneficiary properties. These elements are essential for adequate monitoring of the financed interventions' impacts, but they also impose a significant transaction cost in this context. These elements will be discussed in later sections.

3.3. RURAL CREDIT FINANCING CONDITIONS

Table 3 summarizes the current financing conditions (2025/2026 crop year) for rural credit lines aligned with the PNCPD/Caminho Verde and Eco Invest programs.

Table 3: Financing conditions for selected rural credit lines (2025/2026 crop year)

Programa	Subprograma	Taxa de juros	Limite	Prazo	Carência
Pronaf	Bioeconomia (Bioeconomy)	8% p.a. (Silviculture)	R$250,000	12 years (silviculture)	Up to 96 months (silviculture)
		3% p.a. (other)		10 years (other)	Up to 36 months (other)
	Agroecologia (Agroecology)	3% p.a.	R$450,000 (pig farming, poultry farming, aqua-culture, shrimp farming, fruit growing) R$250,000 (other)	5 to 10 years	Up to 36 meses
	Florestas (Forests)	3% p.a.	R$25,000 to R$100,000	12 to 20 years	96 to 144 months
	Semiárido (Semi-Arid)	3% p.a.	R$60,000 (machinery and implements; irrigation) R$40,000 (other)	10 years	36 to 60 months
RenovAgro	Ambiental (Environmental)	8,5% p.a.	R$5 million	12 years	Up to 96 months
	Recuperação e Conversão (Recovery and Conversion)	8,5% p.a.	R$5 million	10 years	Up to 60 months
	Other	10% p.a.	R$5 million	10 years	Up to 60 months

Programa	Subprograma	Taxa de juros	Limite	Prazo	Carência
Inovagro	Recuperação de solos (Soil Recovery)	12,5% a.a.	R$4 million (individual venture)	10 years	Up to 24 meses
			R$400,000 (animal acquisitions)		
			R$12 million (collective ventures)		

Source: Rural Credit Manual. Accessed on: 30/OCT/2025

In August 2025, the National Treasury released the pre-allocation report resulting from the second Eco Invest auction[16] for recovering degraded lands. According to the report:

> "Eco Invest Brasil Auction No. 2/2025 saw the participation of 11 financial institutions and represented a demand for R$ 17.3 billion in government catalytic funds, with the potential to generate R$ 31.4 billion in total investments for recovering degraded areas across the country. R$16.5 billion of the total requested were awarded through the public catalytic capital line, resulting in R$ 30.2 billion in total investments earmarked for productive recovery of approximately 1.4 million hectares — an area that is equivalent to nine times the size of the city of São Paulo. These funds will be disbursed throughout 2025, 2026, and 2027 to support producers committed to sustainable land use.
>
> Of the R$ 13.7 billion to be mobilized by the private sector, R$ 8.25 billion will be raised in the foreign market and R$ 5.4 billion in the domestic market. Among the participating financial institutions, ten banks were selected, including seven private banks (BTG, Itaú, Bradesco, Santander, Banco Votorantim, Rabobank, Safra) and three public banks (Banco do Brasil, BNDES, and Caixa Econômica)".

The report, however, did not include the financing terms that will be offered by the financial institutions, given that they must raise private funds for carrying out the operations. As established by STN/MF Ordinance No. 926/2025, institutions' access to the partial financing (blended finance) stream of the

[16]Available at: https://thot-arquivos.tesouro.gov.br/publicacao-anexo/25951

Second Eco Invest auction is conditional upon submission of proposals with a financial leverage ratio of 1.5 or higher and raising at least 60% (sixty percent) of the private funds leveraged abroad by the institution. Therefore, it is not currently possible to access the financing conditions that will be provided through Eco Invest Brasil funds for recovering degraded land.

3.4. NUANCES RELATED TO DEFORESTATION AND MONITORING

Given the numerous initiatives related to sustainable finance in the agricultural industry — Eco Invest being one of them — it is important to highlight the different ways in which sustainability issues are incorporated, with a view to achieving greater alignment among these instruments, particularly rural credit. This section, therefore, seeks to draw this parallel, with a focus on deforestation, monitoring, and evaluation, highlighting how different instruments incorporate these elements into their due diligence and risk management processes. The intention is to offer suggestions for agricultural policy, viewing Eco Invest as the current major benchmark, and to reflect on how other instruments can benefit from its design.

3.4.1. THE DEFORESTATION ISSUE

The deforestation issue is addressed in a number of ways as an eligibility criterion, depending on the policy at hand. It is therefore appropriate to discuss these differences in order to assess how deforestation affects the architecture of public policies. As seen in section 3.1 of this report, deforestation is treated differently under the rural credit policy and the PNCPD/Caminho Verde and Eco Invest programs. While the former establishes properties listed on IBAMA and/or ICMBio embargo lists as an exclusion criterion, the PNCPD/Caminho Verde and Eco Invest programs also impose this rule, but go further by requiring proof of the legality of clearings performed after July 22, 2008, and a cutoff date of December 6, 2023, for deforestation, regardless of legality — that is, a zero-deforestation rule. In addition, Eco Invest mitigates the risk of deforestation spillover by monitoring it for all properties related to the borrower's economic group.

More recently, CMN Resolution No. 5193/2024 established the verification of the legality of land clearings carried out after July 31, 2019, where applicable, as an eligibility criterion for rural credit, requiring the submission of supporting documents such as the ASV, PRAD, PRA, and TAC, and others.

This rule was amended in December 2025 by CMN Resolution No. 5268/2025[17], which established that deforestation compliance requirements shall enter into effect as of April 1, 2026, for properties that are larger than four fiscal modules, and only as of January 4, 2027, for properties with up to four fiscal modules. This change takes into account the transaction costs associated with the compliance process and gives institutions more time to adapt to these changes, especially for small-scale rural producers.

In addition, both rural credit and the PNCPD/Caminho Verde and Eco Invest programs forbid financing for projects that involve clearing native vegetation. Another important improvement in credit policy was the requirement for monitoring social and environmental and climate eligibility criteria throughout the entire term of the contract, which may be terminated in case of non-compliance.

Another example of incorporating deforestation monitoring into credit due diligence processes — which has been adopted by the BNDES since 2022 (Circular SUP/ADIG No. 57/2022) — is using MapBiomas Alerta as a near-real-time monitoring tool. The aim is to monitor indirect rural credit operations that use BNDES funds, as well as to establish the absence of deforestation after 2019 as an eligibility criterion, requiring the submission of supporting documentation in cases of compliance. The BNDES also seeks to mitigate the risks of spillover by analyzing embargoed areas not only on properties targeted for financing but also on other properties associated with the rural producers or companies.

Meanwhile, in the Brazilian Sustainable Taxonomy (TSB) for agriculture and livestock, the deforestation criterion for classifying financing as sustainable involves establishing a zero-deforestation rule starting in 2025 — that is, disregarding past deforestation. Effective in 2030, a project can only be labeled as sustainable if there is no record of deforestation in the five years prior to the financing application. In other words, if a particular property was legally deforested in 2025 but sought TSB-labeled financing in 2031, it remains eligible for the label. TSB also excludes the possibility of financing projects that involve the removal of native vegetation, in line with its other policies.

It is therefore evident that there are distinctions among the different policy instruments regarding how deforestation is addressed, with varying levels of stringency and, consequently, costs associated with social and environmental due diligence; the PNCPD/Caminho Verde and Eco Invest programs have the most robust criteria (which are also the most complex to implement). Table 7 summarizes these differences.

[17] https://www.bcb.gov.br/estabilidadefinanceira/exibenormativo?tipo=Resolu%C3%A7%C3%A3o%20CMN&numero=5268

Table 7: strategies for incorporating deforestation into different public policy instruments for sustainable finance

Instrument	Deforestation cut-off date	Zero deforestation	Spillover risk	Do not fund suppression	Monitoring tool / data
Rural credit	July 31, 2019	Does not have (only illegal)	There is no specific rule	It does not finance with controlled or directed resources	Prodes/INPE
PNCPD/ Caminho Verde / Eco Invest	July 22, 2008	06/12/2023	It follows the rules for rural credit	Establishes a zero-deforestation legal criterion for the borrower	It follows the rules for rural credit
BNDES	February 9, 2023, prior to the rural credit regulations, becoming July 31, 2019	Does not have	Note the embargoes for all the borrower's properties	It does not finance	MapBiomas Alerta and Prodes/INPE
TSB	2025. Five-year rolling window starting in 2030	It does not consider any deforestation/ conversion of native vegetation to be sustainable after the TSB comes into effect.	There is no specific rule	It does not consider funding intended for deforestation/ conversion of native vegetation to be sustainable	It does not specify

Source: results from the study. Prepared by Agroicone

Fully incorporating the deforestation issue with no proper coordination with the production chain, institutions, and producers themselves, may encourage exclusion and significantly increase transaction costs related to due diligence and credit contracting processes. This risk is more pronounced for small rural properties and may have negative effects in terms of access. To provide a sense of the impacts of the regulations, Tables 8 and 9 show the number of producers by credit history, farm size, and post-2008 deforestation profile.

It is evident that, regardless of whether properties have a history of rural credit or not, small properties account for the vast majority of those with records of deforestation after 2008. This pattern also holds true for properties that have never taken out a loan, pointing to an inclusion challenge related to social and environmental and climate issues.

Table 8: Profile of rural properties **with** a credit history, by size and post-2008 deforestation

Deforestation after 2008	Small properties (up to 4 MF)	Medium-sized properties (above 4 MF and up to 15 MF)	Large properties (over 15 MF)	Total
With deforestation after 2008	314,793 (16.2%)	40,972 (40.3%)	23,932 (59.2%)	379,697 (18.2%)
Without deforestation after 2008	1,627,441 (83.8%)	60,757 (59.7%)	16,474 (40.8%)	1,704,672 (81.8%)

Source: Prepared by Agroicone based on Sicor/BCB and Brasil (2024) data

Table 9: Profile of rural properties **without** a credit history, by size and post-2008 deforestation

Deforestation after 2008	Small properties (up to 4 MF)	Medium-sized properties (above 4 MF and up to 15 MF)	Large properties (over 15 MF)	Total
With deforestation after 2008	617,213 (13.6%)	88,469 (38.2%)	40,997 (52.9%)	746,679 (15.4%)
Without deforestation after 2008	3,910,753 (86.4%)	143,064 (61.8%)	36.478 (47.1%)	4,090,295 (84.6%)

Source: Prepared by Agroicone based on Sicor/BCB and Brasil (2024) data

It is important to note, however, that it is not solely up to public policy to define the criteria by which deforestation is incorporated into financial institutions' due diligence processes. The institutions themselves also have autonomy and have been incorporating a variety of strategies for mitigating social, environmental, and climate risks, recognizing that these directly impact the financial and credit risks in their portfolios.

Actions such as the definition of specific policies by financial institutions, embodied in the Social, Environmental, and Climate Responsibility Policy (PRSAC) pursuant to CMN Resolution No. 4945/2021[18], adherence to voluntary commitments such as the Taskforce on Nature-Related Financial Disclosures (TNFD), and fostering transparency through Social, Environmental, and Climate Risk and Opportunity Reports (GRSAC) establish a proactive setting in which banks have the highest engagement in climate issues.

[18] https://www.bcb.gov.br/estabilidadefinanceira/exibenormativo?tipo=Resolu%C3%A7%C3%A3o%20CMN&numero=4945

Furthermore, banks have been improving their due diligence and underwriting processes regarding socio-environmental and climate risks. In bilateral talks with some institutions, it was possible to identify multiple strategies regarding dealing with deforestation in their processes, pointing toward a diversified strategy that involves defining time-based criteria for legal clearance to ensure eligibility, developing ratings for Social and Environmental and Climate risk (SAC) by client, differences by biome, as well as specific analyses for "wholesale" operations (when the client is not a rural property but rather a company in the supply chain, such as meatpacking plants).

Finally, a true sustainable finance ecosystem is taking shape in Brazil, driven by private financial instruments and the market's own evolution in response to the agricultural industry's significant financing needs in Brazil. Instruments such as the Rural Product Note (CPR), Agribusiness Receivables Certificates (CRAs), Agribusiness Credit Rights Certificates (CDCAs), and investment funds such as those dedicated to Agro-industrial Production Chains (Fiagros) and Credit Rights (FIDCs) are being structured in "green" and "sustainable" formats by incorporating due diligence processes and the requirement for generating positive environmental externalities.

Generally speaking, there are three main paths through which deforestation is incorporated into these instruments: the conservation path, where natural capital stocks are valued and payments for environmental services (PES) are made, or when commitments to avoid deforestation are defined in the eligibility criteria; the recovery path, where there is an explicit commitment to restore deforested areas by means of reforestation; and indirectly, through incentives for adopting good agricultural practices, where financial resources are directed to projects whose stewardship strategies and production systems generate positive environmental externalities and contribute to avoided deforestation.

In short, what is noted is that public policy instruments are just one component within a broader sustainable finance framework. Eco Invest stands out as a major benchmark, setting strict eligibility criteria and a robust monitoring and evaluation strategy. However, there is an entire ecosystem already focused on encouraging productive transition and sustainability in the agricultural industry, which differs in terms of intensity and the way these issues are incorporated.

Even so, a more holistic view of deforestation and how it relates to financial risks is needed. Understanding the risk of native vegetation clearance from an ex-post and exclusionary perspective does not fully incorporate a risk standpoint grounded in predictive and precautionary approaches.

This risk logic is already broadly understood by the banking industry, as can be seen, for example, in credit risk analyses. A given client is not evaluated solely based on their payment/default history, but rather on their propensity to default. In other words, factors associated with the dynamics of default are modeled to produce a risk score, which enables much greater decision--making flexibility than simply analyzing payment/default history.

Based on this principle, a rural property (CAR) deforestation risk model was developed in collaboration with Febraban and UNEP-FI[19], focused on the Cerrado and Amazon biomes. Based on the creation of variables such as land use type, distances to productive infrastructure, distance to the nearest deforestation, overlap/distance from restricted areas, among other variables, deforestation risk indicators (scores) were estimated using logistic regression. This score is highly granular but can be viewed from an aggregated perspective, such as municipalities and aggregating agents based on their radius of influence.

With an initiative like this one, it is possible to note deforestation not only from a historical perspective — who has or has not performed deforestation — but also from a predictive perspective — who is more likely to perform deforestation. By combining these two pieces of information, it is possible to analyze the portfolio composition by cross-referencing the risk score with deforestation data, enabling financial institutions to take more decisive action in the field, becoming agents of change by facilitating the development of new financial products and improving due diligence and monitoring processes for financing.

3.4.2. MONITORING AND ASSESSING

In the finance area, particularly in the so-called sustainable finance area, a key element in mitigating the risk of greenwashing and ensuring that funds are used for their intended purpose is actively monitoring these investments and the assessment of their impacts.

The rural credit policy contains specific guidelines regarding the monitoring process, as set forth in Section 7 of Chapter 2 of the MCR. The purpose of this oversight process is to ensure borrowers' proper management of the project; to assess the status of the collateral linked to the credit transaction; and to verify the compatibility of the project or borrower with the program or credit line being financed. Furthermore, this process is expected to identify irregularities related to credit eligibility criteria, as well as to serve as a risk parameter associated with the operations. Finally, the purpose of the

[19]To find out more about the presented logic, access: https://agroicone.com.br/wp-content/uploads/2025/12/estudo_febraban.pdf

monitoring process is to recommend changes and improvements in financial institutions' internal processes, ensuring an adequate underwriting and due diligence workflow.

The rural credit policy provides for three methods of analysis for adequate monitoring, which should be viewed as complementary rather than substitute. The first one is remote sensing using satellite or photographic imagery. Analysis of supporting documentation is also essential, such as invoices and credit eligibility elements like registration in the CAR, for example. Finally, on-site visits are also planned, based on a local analysis of the financed project.

In the case of remote sensing, issues such as using credit in the planted area established in the contract must be noted; whether the crop grown is the same as what is established in the contract; and the vegetative development of the crop. This entire process must be properly documented, detailing aspects such as the satellite used, date of the images, their resolutions, as well as the methodologies used for image processing and explanations regarding the reports and conclusions drawn from those images.

It is the financial institution's responsibility to establish a governance framework that documents monitoring and supervision policies and strategies, the specific methods and actions adopted, how these processes and their reporting are managed, as well as systematic control of credit disbursements.

Since rural credit is operated on a large scale, monitoring and supervising all financed areas involve complexity and high costs. Therefore, adopting sampling strategies in this process is expected. In this context, it must be ensured that the sampling process follows clear statistical principles and criteria established by the FIs themselves and/or based on technical standards or recommendations from federal oversight agencies.

It is also up to the FI to define the measures to be taken based on its monitoring and inspection reports, and it bears the responsibility for downgrading and/or upgrading credit operations based on the MCR's own rules; the Central Bank may also make such determinations, provided that problems are noted through its internal process in monitoring and supervising FIs.

The established rules, therefore, do not mandate monitoring and assessing results and leave it up to financial institutions to define their respective policies and processes. Understanding this as a limitation on the process of underwriting multiple risks — ranging from credit to social and environmental and climate risks — the Central Bank established, pursuant to CMN Resolution No. 5267 of November 2025: (i) that the institution is responsible for monitoring and supervising rural credit operations; (ii) mandatory monitoring and supervision via remote sensing of all rural credit contracts for costing and investment signed on or after March 1, 2026, and covering a total area of financed projects exceeding three hundred hectares.

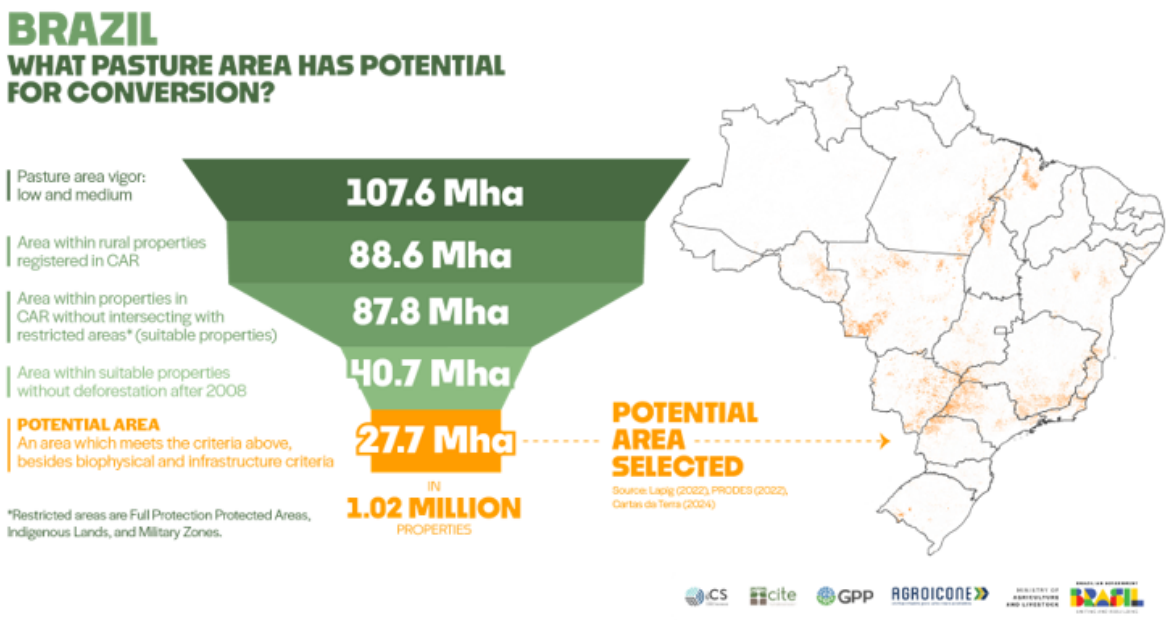
Another important point in this Resolution is the definition of minimum criteria to be noted through remotely sensing projects classified as mandatory (effective March 1, 2026, and exceeding 300 ha). Issues such as a project's agricultural suitability based on arable land area, slope, and level of degradation; whether there is duplicate credit; whether there is native vegetation within the project area, for the purpose of complying with social and environmental criteria, and others. In addition, compatibility between the financed activity and the actual operations performed in the project area shall be verified whether planting and harvesting periods were noted in accordance with the contract, and whether there are indications of improper implementation and/or management of the project.

In the case of cattle ranching, the presence or absence of pastures and whether there are facilities that are compatible with the financed project must be noted. Animal tallying via remote sensing is permitted.

These changes testify to greater interoperability among policies, as well as focusing and prioritizing the issue of degraded area recovery/conversion, given that the government has set a goal to recover/convert 40 million hectares of pastures in some degree of degradation over the next 10 years.

Furthermore, there are 27.7 million hectares of degraded pastures in Brazil that are agriculturally suitable and economically viable (closeness to agricultural infrastructure) and are located on rural properties that are free of deforestation after 2008 and meeting other environmental criteria, such as no overlap with restricted areas. This scenario indicates the vast potential Brazil has for productivity gains and increased production while protecting native vegetation.

Figure 16: Priority degraded pasture areas for intensification/conversion in Brazil.



Source: translated from Brasil (2024)

It is therefore important to view agricultural policy instruments as drivers of this intensification and production conversion process. In the case of rural credit, it is possible that, under certain circumstances, funds allocated to a specific project may be accelerating pasture degradation rather than recovering it.

This may occur when credit is granted for purchasing cattle without adequate due diligence regarding pasture quality. It is possible that, in these contracts, rural credit is driving overgrazing of pastures, which, without proper investment in improvements, ultimately further intensifies the degradation process.

Thus, these changes regarding monitoring financed areas have enormous potential for improving the pricing and underwriting of social and environmental and climate risks, aligning eligibility standards with the monitoring process. Furthermore, they bring rural credit rules more in line with Eco Invest, which provides for continuous monitoring of eligibility criteria for all financed projects, as well as requiring verification of the existence of pasture areas undergoing some kind of degradation.

However, elements contained in the PNCPD/Caminho Verde and Eco Invest, such as assessment of results based on monitoring soil quality, carbon sequestration, and GHG emission reductions, are not yet addressed in rural credit policy. It is important to note that incorporating these outcome assessment criteria into the rural credit framework could substantially increase the costs of monitoring and evaluation processes, which could be passed on to producers, precisely because it is a policy that is applied at scale. However, (the future) use of official tools already being developed[20] could reduce such costs.

[20]Such as: AgroBrasil+ Sustentável; Meu Imóvel Rural; Cattle Ranching Emissions Calculator (BNDES and MAPA); and others.

4. RURAL CREDIT SIMILAR TO THE PNCPD/CAMINHO VERDE AND ECO INVEST PROGRAMS

As previously noted, rural credit policy has been evolving and gradually incorporating social and environmental as well as climate criteria into the credit approval process. At the same time, the PNCPD/Caminho Verde and Eco Invest programs further strengthen these criteria, mandating requirements such as zero illegal deforestation as of July 2008 and zero legal deforestation as of December 2023.

Although more demanding in terms of enforceability, PNCPD/Caminho Verde and Eco Invest share important similarities with rural credit regarding eligible purposes. These purposes can be expressed through "labeled" investment programs and subprograms, that is, those that, at their core, have recovery, conversion, and sustainable production intensification objectives, but they can also occur outside these programs, to the extent that it is possible to secure investments for recovering degraded areas through other programs and subprograms that do not have a clear alignment with sustainability objectives.

In this regard, Agroicone has developed a methodology[21] that is capable of tracking such funds, based on the credit policy data structure (SICOR) linked to public policies aimed at productive transition in the countryside, such as Plano ABC+, which have a clear interface with Eco Invest.

Table 4 describes the rural credit policy programs and subprograms that have a sustainable purpose — that is, those labeled as such — and that are conceptually aligned with PNCPD/Caminho Verde and Eco Invest.

[21]For the full publication: https://agroicone.com.br/wp-content/uploads/2024/12/metodologia-creditorural.Agroicone.pt_.pdf

Table 4: Programs and subprograms to be considered in the analysis

Program	Subprogram	Links to SPSABC, conceptual foundations of ABC+, socio-biodiversity products, and connection with Eco Invest
PRONAF - National Program For Strengthening Family Farming	Investment Credit for Agroforestry Systems (Pronaf Floresta)	Planted Forests (native)/ Agroforestry Systems (SAF)/ Forest Management/Forest Code (Integrated Landscape Approach (AIP)
	Living with the Semi-Arid Region (Pronaf Semiárido)	Irrigated systems
	Investment Credit in Agroecology (Pronaf Agroecologia)	Conservation Practices for Natural Resources
	Investment Credit - Pronaf Bioeconomia	All SPSABC
	Pronaf ABC+ Bioeconomy Forestry CLOSED	Planted Forests
MODERAGRO - Program For Modernizing Agriculture And Conserving Natural Resources	Soil Recovery	Practices for Recovering Degraded Pastures/Conservation Practices for Natural Resources
ABC+ Program: Program for Adaptation to Climate Change and Low Carbon Emissions	ABC + Recuperação (Recovery)	Practices for Recovering Degraded Pastures
	ABC + Orgânico (Organic)	Conservation Practices for Natural Resources
	ABC + Plantio Direto (No-Tillage)	No-Tillage System
	ABC + Integração (Integration)	Integrated Systems (Crop, Livestock and Forestry Integration (ILPF) and their combinations)
	ABC + Florestas (Forests)	Planted Forests

Program	Subprogram	Links to SPSABC, conceptual foundations of ABC+, socio-biodiversity products, and connection with Eco Invest
ABC+ Program: Program for Adaptation to Climate Change and Low Carbon Emissions	ABC + Ambiental (Environmental)	Planted Forests/Agroforestry Systems/Forest Code
	ABC + Manejo de Resíduos (Waste Management)	Animal Production Waste Management
	ABC + Dendê (Palm Oil)	Planted Forests
	Biological Nitrogen Fixation - CLOSED	Bio-inputs
	Constitutional Funds Resources CLOSED	-
	Acai, Cocoa, Olive, Walnut - CLOSED	Planted Forests/Agroforestry Systems
	Financing with Rural Savings Funds CLOSED	-
	ABC + Manejo dos Solos (Soil Management)	Practices for Recovering Degraded Pastures/Conservation Practices for Natural Resources
	ABC + Bioinsumos (Bio-inputs)	Bio-inputs
FNO-ABC (Low Carbon Agriculture Financing Program) Closed	No-Tillage - CLOSED	No-Tillage System
	Pasture Recovery - CLOSED	Practices for Recovering Degraded Pastures
	Integrated Crop-Livestock-Forestry Systems and Agroforestry - CLOSED	Integrated Systems (ILPF and their combinations)
	Forests CLOSED	Planted Forests
	Waste and Residue Treatment CLOSED	Animal Production Waste Management
	Biological Nitrogen Fixation - CLOSED	Bio-inputs

Program	Subprogram	Links to SPSABC, conceptual foundations of ABC+, socio-biodiversity products, and connection with Eco Invest
RenovAgro – Financing Program for Sustainable Agricultural Production Systems (replaced the ABC+ Program in the 2023/2024 crop season)	RenovAgro Recuperação e Conversão (Recovery and Conversion)	Practices for the Recovery of Degraded Pastures/Agroforestry Systems/Conservation Practices for Natural Resources
	RenovAgro Orgânico (Organic)	Agroforestry Systems (SAF)/ Conservation Practices for Natural Resources
	RenovAgro Sistema Plantio Direto (No-Tillage System)	No-Tillage System
	RenovAgro Integração (Integration)	Integrated Systems
	RenovAgro Florestas (Forests)	Planted Forests
	RenovAgro Ambiental (Environmental)	Planted Forests / Agroforestry Systems / Forest Code
	RenovAgro Manejo de Resíduos (Waste Management)	Animal Production Waste Management
	RenovAgro Dendê (Palm Oil)	Planted Forests/Agroforestry Systems
	RenovAgro Bioinsumos (Bio-inputs)	Bio-inputs
	RenovAgro Manejo dos Solos (Soil Management)	Practices for Recovering Degraded Pastures/Conservation Practices for Natural Resources

Source: SICOR. Prepared by Agroicone

However, it is known that it is possible to enter into a financing contract in the context of rural credit that is not necessarily designated as part of a sustainable program or subprogram, but which has the potential to mitigate negative environmental externalities. For example, it is possible to secure funding without a specific program or subprogram, within the framework of the Constitutional Financing Funds, but which includes the “Intensive Soil Recovery” product.

If a given analysis were to consider only contracts signed under labeled programs, the example above would be overlooked. Given this fact, it is necessary to include in the analysis those contracts that feature products aligned with the principles of the PCNPD/Caminho Verde and the Second Eco Invest Auction, which are shown in Table 5.

Table 5: Products to be considered in the assessment

Sustainability classes	Products	Links to SPSABC, conceptual foundations of ABC+, socio-biodiversity products, and connection with Eco Invest
Productive sustainability actions	Algae; Equipment and tools for precision agriculture; Acquisition of animal semen, ova and embryos; Artificial insemination; Water collection, retention and utilization systems; Free stall cattle confinement; Algaeculture (algae cultivation); Environmental sustainability and renewable energy actions; Implementing renewable energy technologies, environmental and small hydro-energy applications; Bio-digestor, manure plant, biological oxidation tanks and water and sewage treatment; Building/restoring dams/tanks, water collection systems; Acquisition of systems for tracking cattle and buffalo; Environmental recovery	Animal Production Waste Stewardship; Bio-inputs; Intensive Finishing; Other actions in productive sustainability that is transversal to Plano ABC+
Planted forests	Black wattle; Araucaria; Neem; Cedar; Eucalyptus; Afforestation and reforestation; Afforestation - cultural treatments; Forest certification; Pine; Kiri (paulownia spp); Harvesting, clearing and cleaning planted forest; Cambará; Cedrinho; Garapeira	Planted Forests; SAF; Integrated Systems; Compliance with the Forest Code
Irrigation	Irrigation/leaching (dripper, sprinkler, nebulizer, exhaust fan, fan, hoses, et channels); Irrigation; Artificial Lake, pond, dams, canals, freshwater reservoir; Well drilling, cistern	Irrigated systems

Sustainability classes	Products	Links to SPSABC, conceptual foundations of ABC+, socio-biodiversity products, and connection with Eco Invest
Soil improvement	Intensive soil fertilization; Liming, fertilizers, and organic and mineral fertilization; Grass; Brachiaria; Ground covers (plastic, TNT, fabric, sawdust, grass and grain straw, etc.); Intensive soil correction; Non-intensive soil correction; Crotalaria; Stylosants; Pasture; Tifton; Soil protection; Organic/mineral fertilization, liming, inert substrates (stone, sand, vermiculite, silt, clay, and others)	Recovery Practices for Degraded Pastures; No-Till System; Conservation Practices for Natural Resources
Socio-biodiversity Products	Açai; Andiroba; Babassu; Baru; Bracatinga; Buriti; Cocoa; Cajá; Carnauba; Brazil nut; Baru nut; Copaiba; Cupuassu; Oil palm; Forest species (essences); Fava; Guarana; Guariroba; Jatoba; Macauba; Mangaba; Murumuru; Moringa; Murici; Vegetable oil; Heart of palm (peach palm, açai); Paricá; Patauá; Pracaxi; Pequi; Piassava; Pink pepper (aroeira); Pinhão; Rubber tree; Taperebá; Tucum; Umbu; Annatto (urucum); Cumaru (tonka bean)/champagne wood	SAF; Planted Forests; Compliance with the Forest Code; Conservation Practices of Natural Resources; Sociobiodiversity Products

Source: Lobo et al. (2024) and SICOR/BCB. Prepared by Agroicone

Finally, SICOR contains a set of variables that provide information on the stewardship strategy adopted in the financed project, so that financial resources contracted under these practices can also be accounted for in the sustainability assessment. Variables such as Type of Agriculture, Type of Consortium/Integration, and Type of Crop, among others, are included. In other words, in addition to the contracts contained in the programs and subprograms listed in Table 1, and the contracts with products listed in Table 2, contracts that fall into any of the categories contained in the variables (Table 6) are also included.

Table 6: Variables indicating stewardship strategies to be considered in the analysis

SICOR Variable	Description	Link with SPSABC+, ABC+ conceptual bases, and socio-biodiversity products
Type of Agriculture	Native Forest	Planted Forest/ Environmental Compliance (Forest Code)
	No-Till Farming	No-Till System
	Planted Forest	Planted Forest
	Agroecological	No-Till Vegetable Planting System/SAF
	Organic	No-Till Vegetable Planting System/SAF
Type of Consortium/ Integration	Consortium	No-Till Planting/Practices for Recovering Degraded Pastures/Integrated Systems/SAF
	Crop-Livestock Integration	Integrated Systems
	Agroforestry Systems	SAF
	Crop-Livestock-Forest Integration/ Agro-Silvo-Pastoral System	Integrated Systems
	Crop-Forest Integration	Integrated Systems
	Cattle-Forest Integration	Integrated Systems
Type of Irrigation	Drip irrigation	Irrigated Systems
	Micro-sprinklers	
	Sprinklers	

SICOR Variable	Description	Link with SPSABC+, ABC+ conceptual bases, and socio-biodiversity products
Type of Irrigation	*Xique-Xique*	Irrigated Systems
	Cannon	
	Pivot	
	Self-propelled	
	Furrows	
	Irrigation with drought insurance MCR 12-2-3-c	
Type of Cultivation	No-Till - CLOSED	No-Till System
	Minimum Cultivation	No-Till System
	Extractivism – CLOSED	-
	Semi-intensive livestock - CLOSED	Intensive Finishing
	Intensive livestock farming – CLOSED	Intensive finishing
	Livestock Confinement – CLOSED	Intensive finishing
	Agroecological - CLOSED	SAF
	Protected Cultivation	-
	Sustainable Forest Stewardship	Planted Forests

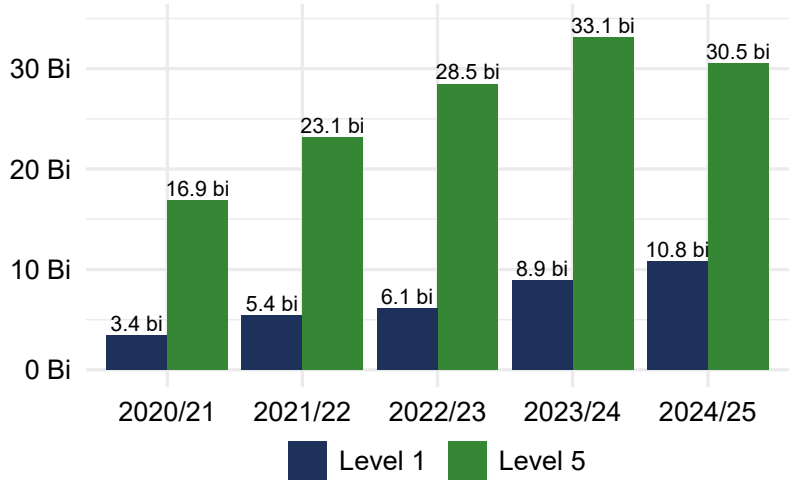
SICOR Variable	Description	Link with SPSABC+, ABC+ conceptual bases, and socio-biodiversity products
Phase/Cycle of Production	Finishing in confinement	Intensive finishing (feedlots)
	Raising under animal welfare conditions	
Modality	Extractivism of native species; Afforestation and reforestation; Pasture	Planted Forests/Practices for Recovering Degraded Pastures/SAF/Socio-biodiversity products
Variety	Black acacia; Almonds; Almonds - cultivated; Babassu; Natural rubber; Brachiaria; Meat (cattle finishing in confinement or wintering); Chestnuts; Cisterns, reservoirs or tanks, rainwater collection, frames, underground reservoirs, drip, porous capsules or drip and other systems for storing and using water, except levees, wells, and irrigation canals; Building or renovating levees, opening irrigation canals, buying the equipment required for irrigation services (motors, pumps, gyroscopic sprinklers, sprinkler valves, etc.), parts and accessories; Correcting the soil and combating pests (limestone and fertilizer distributors, sprayers, vaporizers, blowers, foggers, etc.); Soil correction and pest control, harvesters, mowers, rails, threshers, and others.; Cultivation in integrated systems; Bark - extractive; Eucalyptus; Eucalyptus benthamii; Eucalyptus dunnii; Eucalyptus globulus; Eucalyptus grandis; Eucalyptus saligna; Eucalyptus viminalis; Forage; Fruit - extractive; Jacarandá; Macaúba; Mahogany; Pasture; Pinus; Pinus caribaea; Pinus elliottii; Pinus oocarpa; Pinus taeda; Environmental recovery; Degraded pasture recovery; Water reservoirs, drinking fountains and toilets; Teak; Renewable energy technology, small hydro-energy uses, environmental technologies. ; Earthmoving, drainage and planting plant species for soil fixation and shading	Several SPSABC and socio-biodiversity products

Fonte: Lobo et al. (2024) e SICOR/BCB. Elaborado por Agroicone

Based on these variables, it is possible to filter SICOR data for investment contracts (since Eco Invest focuses solely on investment, excluding funding, marketing and industrialization), which are conceptually aligned with Eco Invest.

Figure 2 shows the amount of investment funds that fall under the described methodology, at two different levels. Level 1, which is more restrictive, considers only investment funds linked to labeled subprograms — that is, those with a clear purpose of productive transition and resilience. However, it is known that investments aligned with these principles can be made even if they are not necessarily linked to labeled subprograms. Level 5, therefore, captures rural credit resources that are aligned with the PNCPD/Eco Invest in a broader and more holistic manner.

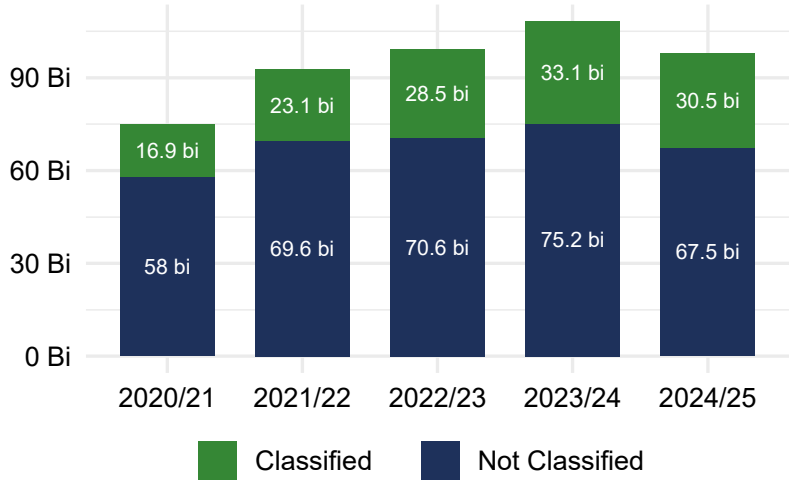
Figure 2: Evolution of rural credit for investment in sustainability initiatives, by level in R$ billion (according to Lobo et al., 2024)



Source: results of the study based on Lobo et al. (2024) and SICOR/BCB. Prepared by Agroicone

For the sake of simplicity and in order to capture, in a broader sense, the financial resources aligned with the agricultural industry's sustainability agenda and that are in some way aligned with the PNCPD/Caminho Verde and Eco Invest initiatives, Level 5 was chosen as the analytical framework. Figure 3 shows the dynamics of financial resources rated under Level 5 relative to total investments made per harvest. Approximately R$ 30.5 billion of the R$ 98 billion allocated for investments in the 2024/2025 harvest, align with the PNCPD/Caminho Verde and Eco Invest, totaling 31%. This percentage has been growing over the last five harvests, rising from 22.5% in the 2020/2021 harvest to 31% in the most recent harvest.

Figure 3: Evolution of rural credit for investment purposes aligned with Caminho Verde and Eco Invest



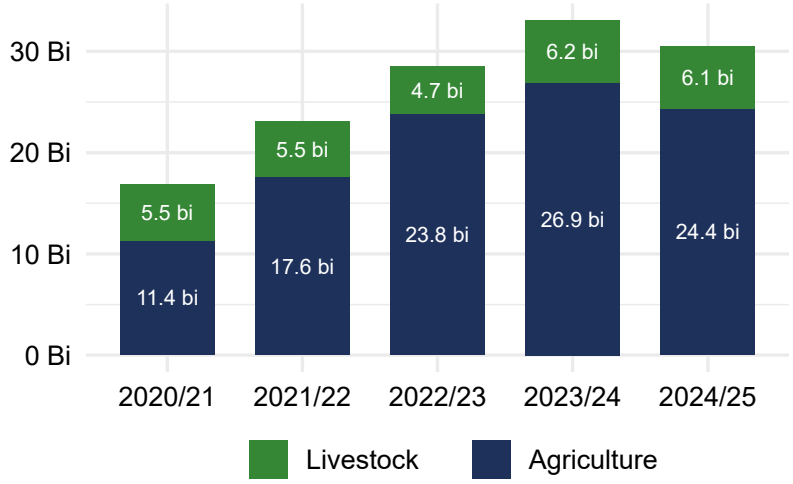
Source: results of the study based on Lobo et al. (2024) and SICOR/BCB. Prepared by Agroicone

These financial resources can be allocated to agricultural, cattle ranching, and/or forestry activities. However, the description of activities in the context of SICOR data does not allow for such a clear distinction, categorizing all enterprises solely under agriculture and cattle ranching. In any case, what can be noted in Figure 4 is a concentration of financial resources in agricultural activities, which totaled R$ 24.4 billion (79.8%) in 2024/2025, while livestock recorded R$ 6.1 billion (20.12%) of the financial resources allocated to the PNCPD/Caminho Verde and Eco Invest programs in the same harvest season. Also highlighted is the trend toward concentrating financial resources aligned with sustainability initiatives in agricultural activities that accounted for 67.2% of eligible funds in 2020/2021 also stood out.

Another point that underscores how broadly the Plano Safra's financial resources are distributed toward purposes that can mitigate negative environmental externalities can be seen in the breakdown of these funds by program. Figure 5 shows that, over the last five harvests, the allocation of resources classified without being tied to a specific program was greater compared to labeled programs, such as ABC+/RenovAgro. This underscores the idea that it is possible to secure investment resources outside of labeled programs and still mitigate negative environmental externalities.

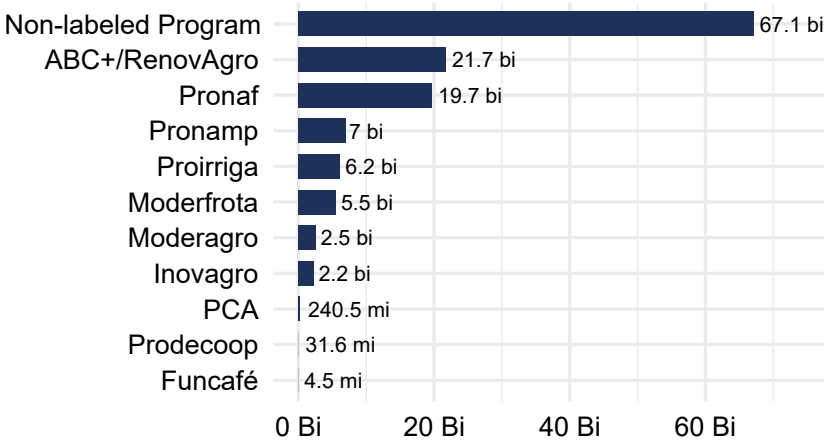
Subsequently, one can see the importance of ABC+/RenovAgro in the context of financing productive transition, especially for medium and large-scale producers; and Pronaf, offering credit with higher subsidies to family farmers in this transition process.

Figure 4: Trends in rural credit resources for investment purposes aligned with the PNCPD/Caminho Verde and Eco Invest programs, by activity (R$ billion)



Source: results of the study based on Lobo et al. (2024) and SICOR/BCB. Prepared by Agroicone

Figure 5: Distribution of rural credit resources for investment purposes aligned with the PNCPD/Caminho Verde and Eco Invest, by program from 2020/2021 to 2024/2025 (R$ Billion)

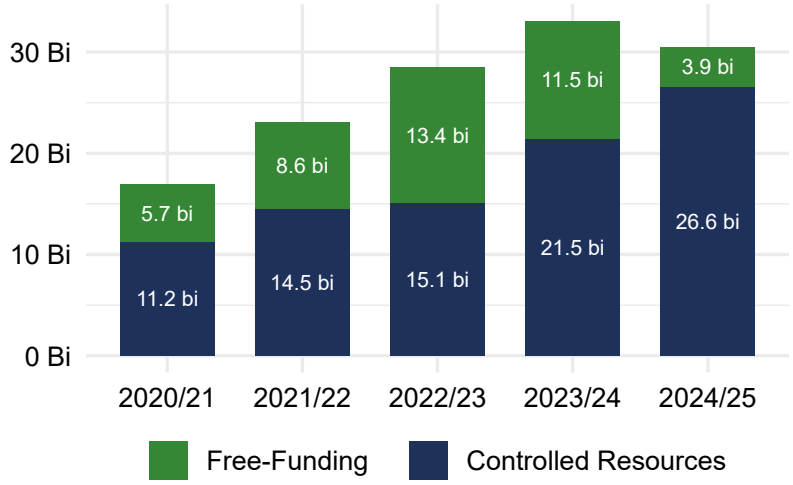


Source: results of the study based on SICOR/BCB. Prepared by Agroicone

The type of funding (whether governed by agricultural policy or unrestricted/ “free funding”) is also important in this context, as it illustrates the trajectory of institutions’ share and their intention to use their own funds (and to negotiate freely with the credit recipient) — and thus be subject to default risk — in the context of financing the productive transition, as well as the government’s efforts using controlled funds (with interest rates set by public policy).

Figure 6 illustrates this dynamic. A shift in trajectory is noted in the last harvest season. Since 2020/2021, the share of "free funding" financial resources has increased significantly in absolute terms, reaching R$ 13 billion in 2022/2023, approximately 47% of total investment resources. In the 2024/2025 crop year, on the other hand, there was a significant decline in the volume of unrestricted funds in rural credit aligned with the PNCPD/Caminho Verde and Eco Invest programs, dropping to R$ 4 billion (12.8% of total investment funds).

Figure 6: Distribution of rural credit funds for investment purposes aligned with the PNCPD/Caminho Verde and Eco Invest programs, by type of fund (R$ Billion)

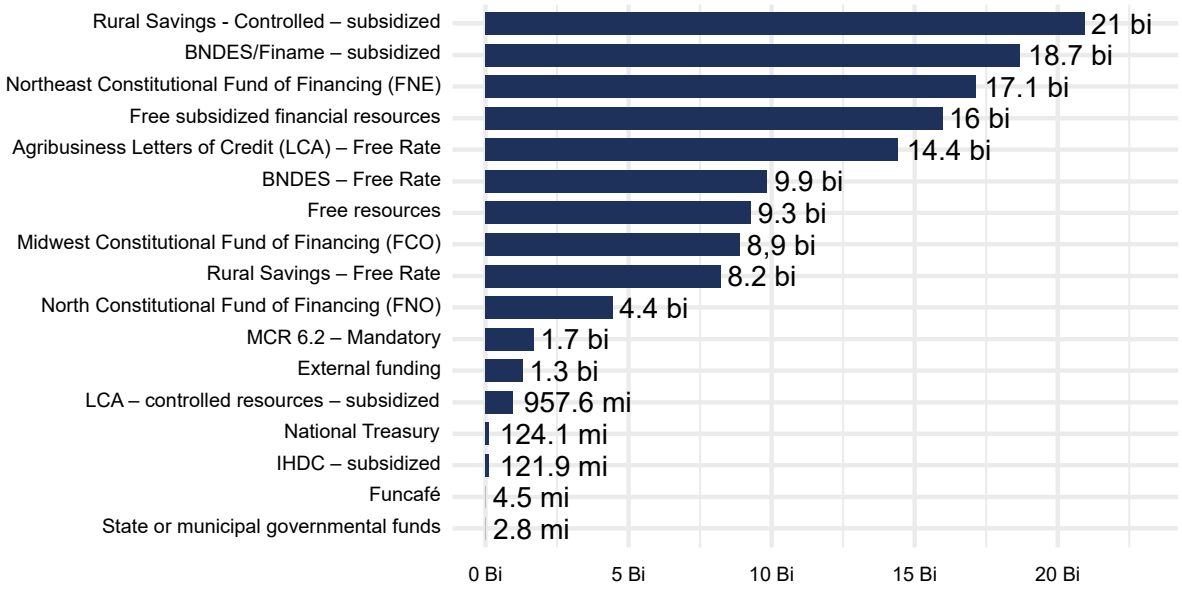


Source: results of the study based on SICOR/BCB. Prepared by Agroicone

The source of funds is another aspect worth exploring. From the main funding sources (Figure 7) during the analyzed period, "Rural Savings," "BNDES/Finame," the "Constitutional Fund for the Northeast (FNE)," "Equalizable Unrestricted Resources," and "LCA" stood out. – "Unrestricted/Free Rate," pointing to the scenario in Figure 6 that controlled funding sources are of greater importance in the context of rural credit aimed at productive transition and resilience and, therefore, conceptually aligned with PNCPD/Caminho Verde and Eco Invest.

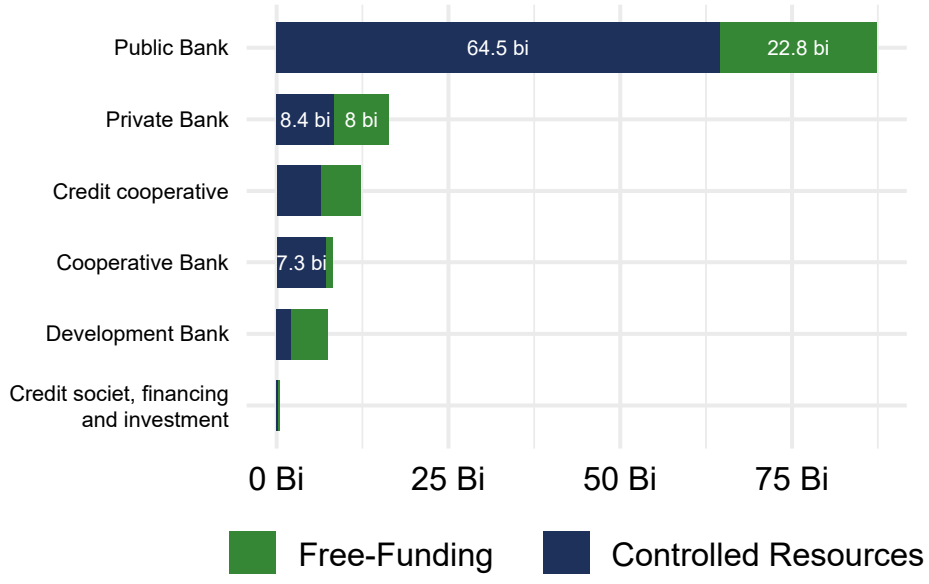
Meanwhile, the involvement of institutions in financing projects with the potential for reducing negative environmental externalities from the 2020/2021 to 2024/2025 crop years (Figure 8) is concentrated primarily among public banks, particularly those with regulated funds. This pattern also holds true for cooperative banks, while other institutions have a higher proportion of unrestricted funds in their portfolios aligned with the PNCPD/Caminho Verde and Eco Invest programs.

Figure 7: Distribution of financial resources by source



Source: results of the study based on SICOR/BCB. Prepared by Agroicone

Figure 8: Distribution of rural credit funds for investment purposes aligned with the PNCPD/Caminho Verde and Eco Invest programs, by type of financial institution (FI) – R$ Billion



Source: results of the study based on SICOR/BCB. Prepared by Agroicone

Based on the analysis conducted so far, it is possible to quantify the amount of funds from the rural credit policy that align with the eligible purposes of the PNCPD/Caminho Verde and Eco Invest programs. It is also possible to verify (based on checks conducted by the Central Bank of Brazil itself through SICOR) some of the eligibility criteria that are common to these policies, such as absence of environmental embargoes, no overlap with restricted areas, registration in the CAR and active status, and absence of labor analogous to slavery. However, to analyze what portion of rural credit resources is being directed toward potential beneficiaries of the PNCPD/Caminho Verde and Eco Invest, it is necessary to assess the degraded pastures issue, as well as additional eligibility criteria, such as deforestation.

Thus, the next step in this analysis is to combine the properties associated with the contracts mapped above with the properties included in the PNCPD Prioritization Plan developed by MAPA in partnership with GPP and Agroicone (Brasil, 2024). In this Plan, it was possible to identify rural properties with degraded pastures that are in compliance with environmental regulations and have the potential for intensifying or converting these pastures. The next section describes this entire process, as well as the identified results.

5. ASSESSMENT OF POTENTIAL DEMAND FOR DEGRADED PASTURE CONVERSION IN RURAL CREDIT

The figures quoted above refer to the total amount of rural credit funds that are aligned in some way with the PNCPD/Caminho Verde and Eco Invest programs. These funds, however, cover all activities and therefore do not exclusively serve those with degraded pastures. Thus, it is necessary to apply a filter for identifying those rural properties with degraded pastures that have made investments aligned with the principles of the PNCPD/Caminho Verde and Eco Invest. These properties, therefore, can be considered as current actual demand for financial resources similar to those of Caminho Verde and Eco Invest.

In addition to actual demand, one of the objectives of this granular analysis is to identify potential demand for financial resources for production intensification/transition, aiming to evaluate possibilities for directing financial resources, as well as improving agricultural policy instruments. It is therefore assumed that the potential demand for these financial resources consists of rural properties that have not made investments via rural credit policies aligned with the PNCPD/Caminho Verde and Eco Invest, but are already financed, thereby overcoming the costs of accessing credit. These properties are categorized by the type of credit taken, with each group having a higher or lower priority in terms of its capability to contribute to the potential demand.

To conduct this analysis, the PNCPD Prioritization Plan (Brazil, 2024) was used, combined with the credit history of rural properties. Approximately 4.2 million, or 60.8% of the 6.9 million CARs mapped in the PNCPD Prioritization Plan, have more than one hectare of pasture. This was the focus group in this analysis, based on the assumption that these are rural properties with more consistent activity in cattle ranching. The group accounts for 150 million ha of pastures (99.6% of the total) and 88 million ha of pasture area with low or medium vigor (99.7% of the total pastures with low and medium vigor).

To obtain an estimate of the actual and potential demand for financial resources within the context of the PNCPD/Caminho Verde and Eco Invest programs, a strategy was adopted for segmenting credit-contracting pro-

perties by contract[22], analyzing the alignment of the financial resource with agricultural sustainability goals, according to the methodology developed by Lobo et al. (2024), as well as the purpose for which the loan was contracted (investment or operating costs). The segmentation resulted in four groups of targeted rural properties (with more than 1 ha of pasture), with the following analysis' objectives:

- **Group 1: Eligible investment:** producers who have entered into an investment contract under the sustainability program (eligible under level 5 of the methodology). This group represents the actual demand for financial resources aligned with the PNCPD/Caminho Verde and Eco Invest programs. Properties in this group may also have entered into non-eligible investment contracts, as well as costing contracts;

- **Group 2: Non-eligible investment:** producers who have entered into investment contracts but are not part of the sustainability journey (not falling under level 5 of the methodology). This group represents potential demand, as it already makes productive investments, though not focused on the transition, making it a potential target for the efforts of Caminho Verde and Eco Invest. Properties in this group may also have a history of costing contracts;

- **Group 3: Eligible costing:** producers who have entered into a costing contract as part of the sustainability journey (falling under level 5 of the methodology) and have not entered into any investment contracts. This is a group of properties that are not covered by PNCPD/Caminho Verde, given that they have not contracted funds for investment. However, the group was included for the purpose of discussing the financial resources — especially those directed toward cattle acquisition — that are already under some form of sustainability journey. The fact that they are already financed and have degraded pasture areas on their properties also makes them a potential target;

- **Group 4: Only non-eligible costing:** producers who only have a history of contracting costing that is not classified as in sustainability journey. The main objective, in this case, is to understand the number of rural properties and the financial resources that are potentially operating outside the sustainable production systems recommended by the PNCPD/Caminho Verde, discussing the amount of funding that would need to be secured for incorporating good agricultural practices. They also represent potential demand, though with lower short-term priority.

[22]The analysis is based on the Sicor/BCB databases, which include, among other information, the CAR codes linked to credit contracts. Not all contracts contain this information. In the database used for this analysis, it was noted that 75.3% of contracts have a declared CAR. This indicates a high degree of reliability for the analysis; however, 24.7% of contracts may lead to inaccuracies in CAR classification. Nevertheless, it should be noted that this is the only publicly available data for this analytical effort.

For the purpose of counting the number of properties and the area of low- and medium-vigor pastures, the groups were also analyzed in terms of post-2008 deforestation history and viability, which considers both the potential for economic integration and the biophysical suitability of systems for recovering or converting degraded pastures, according to Brasil (2024). The purpose of this segmentation is to identify the portion of properties that directly meet the PNCPD/Caminho Verde and Eco Invest requirement of no post-2008 illegal deforestation, making them potentially eligible for financing, as well as the portion of properties that have experienced deforestation and would need to prove their compliance.

Furthermore, feasibility adds a dimension of short-term economic potential in the productive transition, identifying which properties have lower transaction costs for accessing investments for recovering degraded areas, as they are more economically integrated (located near productive infrastructure such as meatpacking plants, dairy facilities, silos, warehouses, pulp and paper companies, etc.).

Figure 9a illustrates these divisions. Of the 4.2 million properties targeted (included in the PNCPD prioritization plan and with 1 (one) hectare or more of low- or medium-vigor pasture), 1.2 million, or 28.5%, have a history of taking out credit. About 75% of these properties (approximately 900,000 CARs) have no history of deforestation after 2008, which shows that most of them meet this requirement for obtaining financing under the PNCPD/Caminho Verde and Eco Invest programs with no additional need for proof of legality.

Group 1 totals 386,800 CARs, making up the program's actual demand group, or 31.9% of the identified rural properties. Of these properties, 278,400 (72%) showed no deforestation after 2008. As for potential demand, which is made up by the other groups, there are 567,300 properties (46.9%). Of this total, 429,300 (75.7%) have no history of deforestation and already meet this requirement; while the remaining 138,000, that have a history of deforestation, are required to first prove their legality.

Figure 9b adds to the analysis by quantifying the total area of degraded pasture for each group. In total, 29.4 million hectares of pasture have low- to medium-vigor on properties with a credit history and at least 1 hectare of degraded pasture, according to Brasil (2024).

In terms of credit profiles, the groups with the largest shares are Group 2 (non-eligible investment) and Group 1 (eligible investment), with 11 million ha (37.5%) and 10.5 million ha (35.6%), respectively. These are, therefore, the groups with potential and actual demand, respectively.

Figure 9: Number of rural properties (CARs) and the area of degraded pasture by eligibility under the PNCPD/Caminho Verde and Eco Invest programs, and rural credit contracting profile

9a. Number of rural properties (CARs) by group and subgroup

	Eligible investment	Non-eligible investment	Eligible costing	Only non-eligible costing	Total
No post-2008 deforestation and with viability	59,800 (22.1%)	126,900 (46.9%)	22,500 (8.3%)	61,600 (22.7%)	270,800 (100%)
No post-2008 deforestation and without viability	218,600 (34.6%)	302,400 (47.8%)	34,900 (5.5%)	76,300 (12.1%)	632,200 (100%)
With post-2008 deforestation and with viability	24,900 (25.8%)	43,600 (45.3%)	7,000 (7.3%)	20,800 (21.6%)	96,3 mil (100%)
With post-2008 deforestation and without viability	83,600 (39.5%)	94,400 (44.6%)	8,400 (4%)	25,200 (11.9%)	211,600 (100%)
Total	386,800 (31.9%)	567,300 (46.9%)	72,800 (6%)	183,900 (15.2%)	1,200,000 (100%)

9b. Total area of low- and medium-vigor pasture by group and subgroup

	Eligible investment	Non-eligible investment	Eligible costing	Only non-elegible costing	Total
No post-2008 deforestation and with viability	3,300,000 ha (30.3%)	4,200,000 ha (38.8%)	511,400 ha (4.8%)	2,800,000 ha (26.1%)	10,700,000 ha (100%)
No post-2008 deforestation and without viability	985,600 ha (35.1%)	1,300,000 ha (44.8%)	120,100 ha (4.3%)	445,600 ha (15.9%)	2,800,000 ha (100%)
With post-2008 deforestation and with viability	4,700,000 ha (37.5%)	4,400,000 ha (35.2%)	681,700 ha (5.4%)	2,800,000 ha (22%)	12,600,000 ha (100%)
With post-2008 deforestation and without viability	1,500,000 ha (46.8%)	1,200,000 ha (35.6%)	88,800 ha (2.7%)	480,200 ha (14.9%)	3,200,000 ha (100%)
Total	10,500,000 ha (35.6%)	11,000,000 ha (37.5%)	1,400,000 ha (4.8%)	6,500,000 ha (22.1%)	29,400,000 ha (100%)

Source: results of the study based on SICOR/BCB. Prepared by Agroicone

Regarding the presence of deforestation and viability, the groups that stood out were “With post-2008 deforestation and with viability” (12.6 million ha; 42.8%) and “No post-2008 deforestation and with viability” (10.7 million ha; 36.3%), the former indicating a need to assess the legality of deforestation but showing economic potential for intensification/conversion, while the latter also shows this potential but without the transaction costs associated with environmental compliance. The data show that the groups most likely to undertake productive interventions for mitigating negative environmental externalities are those with the largest areas of degraded pastures, indicating an opportunity for credit policy.

Analyzing the rural credit profile of Group 1 — the group that is considered to represent the actual demand for financial resources related to the PNCPD/Caminho Verde and Eco Invest programs — based solely on the amount of eligible investment funds, there is an upward trend in both funding and the number of contracting properties (Figure 10a), reaching R$ 17.2 billion in 2024/25 (out of the R$ 30.5 billion identified in the unfiltered mapping of properties with degraded pasture) and 125,300 properties. The activity with the largest allocation of financial resources was agriculture, with 83.6% of the funds in the 2024/25 harvest (Figure 10b), indicating that these properties with pastures are also becoming engaged in agricultural activities, converting pastures or adopting integrated systems.

By credit program (Figure 10c), the programs that stood out in the 2024/25 harvest were: RenovAgro (31.9%), funds without a specific program (25.6%), and Pronaf (15.7%). An interesting point to note is the growth of Pronamp over the last two harvests, gaining prominence compared to other programs, which may indicate that medium-sized producers are increasingly focusing their efforts on sustainability.

As for the source of financial resources (Figure 10d), there are distinct trends: i) from 2019/20 to 2022/23, growth in savings funds with economic subsidies, followed by a downward trend; ii) since 2022/23, an increase in BNDES/Finame sources and equalizable eligible financial resources (40.1% of the total in the 2024/25 crop year). This result suggests changes in funding sources, whether due to the limited availability of rural savings resources or to a greater allocation of institutions’ own financial resources or funds raised in the market.

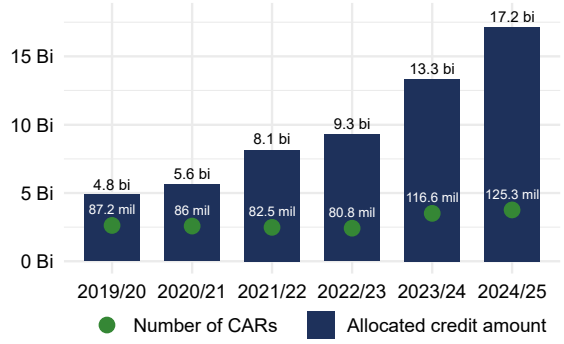
Furthermore, in the breakdown by product (Figure 10e), there is a stable trend in the share of products contracted by Group 1, focusing on five major products: Intensive Soil Correction (33.1% in the 2024/25 crop year); Pasture (16.8%); Irrigation (11.6%); Intensive Soil Fertilization (7.7%); and Machinery and Implements (6.4%). The listed products indicate that the focus of initiatives aligned with Group 1 producers’ sustainability journey is particularly on soil correction, suggesting that the purpose of the funding associated with actual demand is already consistent with the overarching goals of PNCPD/Caminho Verde and Eco Invest.

Furthermore, in this group, the total volume of R$ 57.3 billion in non-eligible investment stands out (these properties may also secure financing outside the sustainability journey) for the 2019/20 to 2024/25 period, with R$ 13.8 billion (24.1%) allocated to cattle. In the last harvest, the amount of non-eligible investment was R$ 12.7 billion, representing a potential asset for intensifying these rural properties' sustainability journey of recovering or converting degraded pastures.

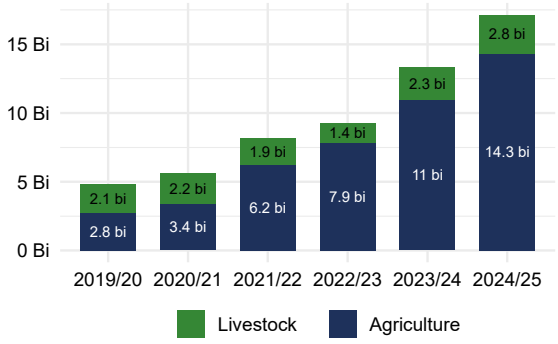
With regard to farm size within the analyzed group (Figure 10f), it is noteworthy that, in the 2024/25 crop year, small-scale farms represented 90% of the group, yet represent 29% of the eligible investment funds (Figure 10g). Medium- and large-scale farms represent 26% and 45%, respectively, although in terms of total number they account for only 6% and 4%. The results reveal the predominance of larger-scale producers in making investments that incorporate best practices, at least in terms of the total volume of funds that these groups represent.

Figure 10: Profile of rural investment credit falling within the sustainability journey for Group 1

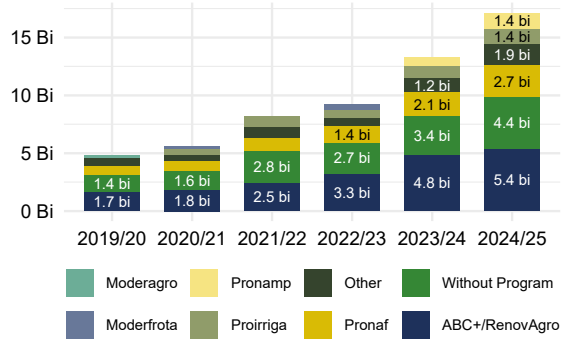
10a. Number of CARs and amount



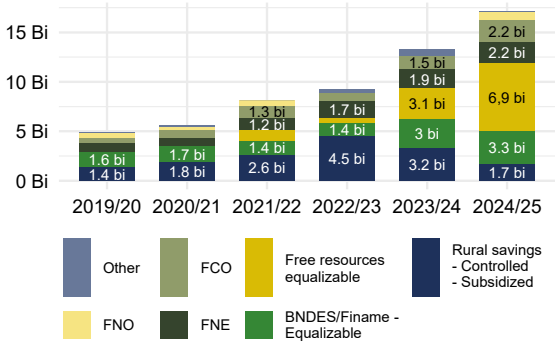
10b. Amount by activity



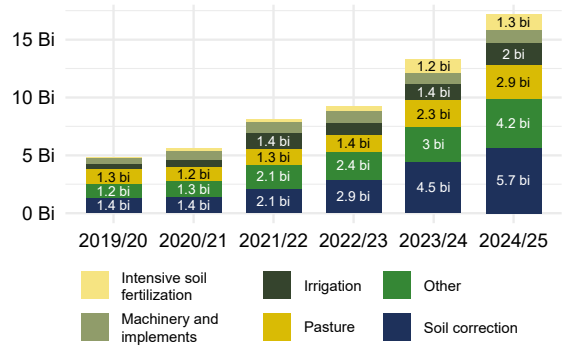
10c. Amount by program (R$ Billion)



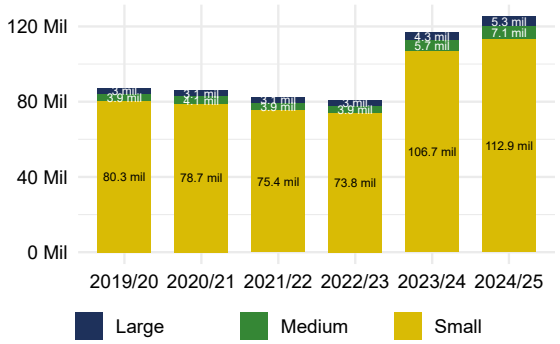
10d. Amount by funding source



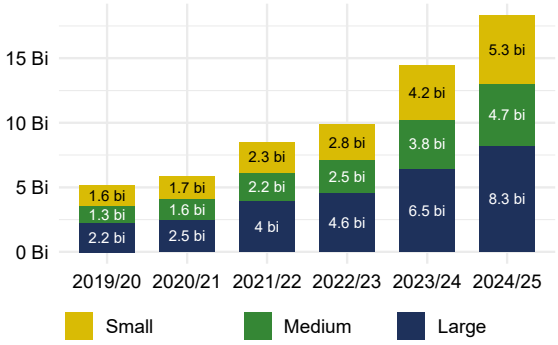
10e. Amount by product (R$ Billion)



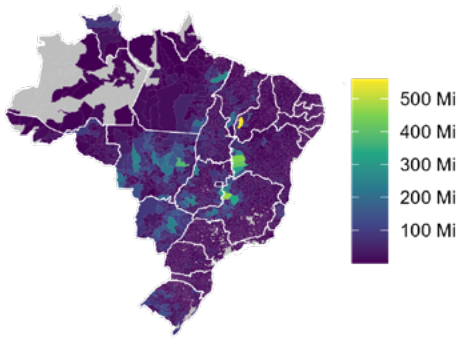
10f. Number of CARs by size*



10g. Amount by size*



10h. Credit by municipality (R$ Million)



*Note: The sizes of the rural properties that were used were: small (up to 4 fiscal modules - MF); medium (over 4 MF to 15 MF); large (over 15 MF). The ranking is defined by Law 8.629, of February 25, 1993, amended by Law No. 13.465 of 2017, and considers the fiscal module, which varies according to each municipality.

Source: results of the study based on SICOR/BCB and on Brasil (2024). Prepared by Agroicone

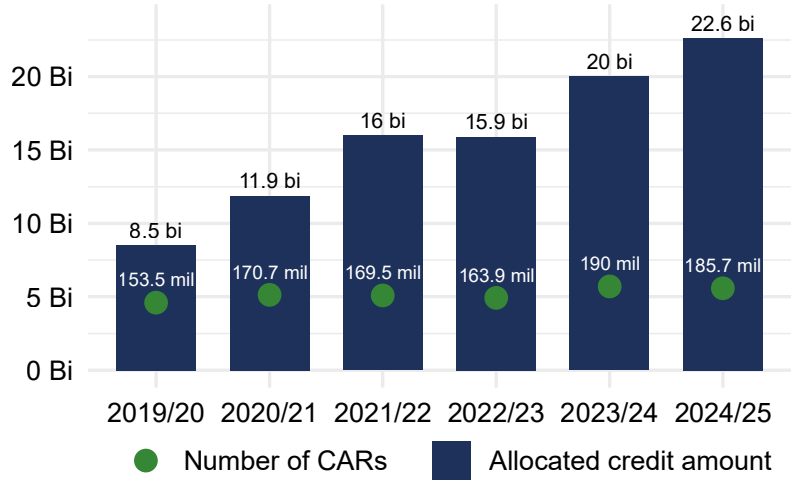
Furthermore, Figure 10h illustrates the territorial distribution of the eligible investment funds. The states with the highest investment volumes from 2019/20 to 2024/25 were: Minas Gerais (R$ 8.9 billion; 15.2%), Mato Grosso (R$ 7.9 billion; 13.6%), Goiás (R$ 5.4 billion; 9.3%), and Bahia (R$ 5.3 billion; 9.1%). The central region of Mato Grosso, western Bahia, and other MATOPIBA regions stood out on the map. These are regions with booming agricultural production, which may indicate a process of converting degraded pastures into cropland.

Moving on to the results for Group 2 and focusing on non-eligible investment funds — that is, funds with the potential to be redirected toward converting degraded pastures — Figure 11 shows the profile of these financial resources. The trend is upward, both in terms of the amount of financial resources and the number of contracting properties (Figure 11a), reaching the 2024/25 harvest with R$ 22.6 billion contracted by 185,700 CARs. Across all harvests,

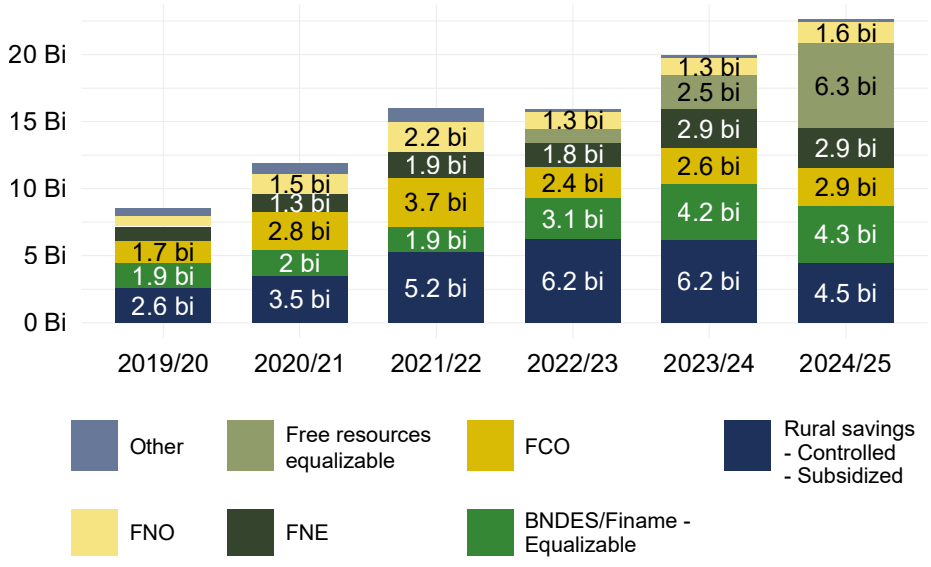
R$ 64.1 billion (67.6%) are contracted for properties with no deforestation, while R$ 30.7 billion (32.4%) are linked to properties with a history of post-2008 deforestation. In terms of equalizable funding sources (Figure 11b), the increase in the share of Equalizable Unrestricted Funds also stood out, totaling R$ 6.3 billion (27.8%) in the 2024/25 crop year, while Rural Savings with Economic Subsidies declined.

Figure 11: Profile of rural investment loans not eligible for sustainability journey under Group 2

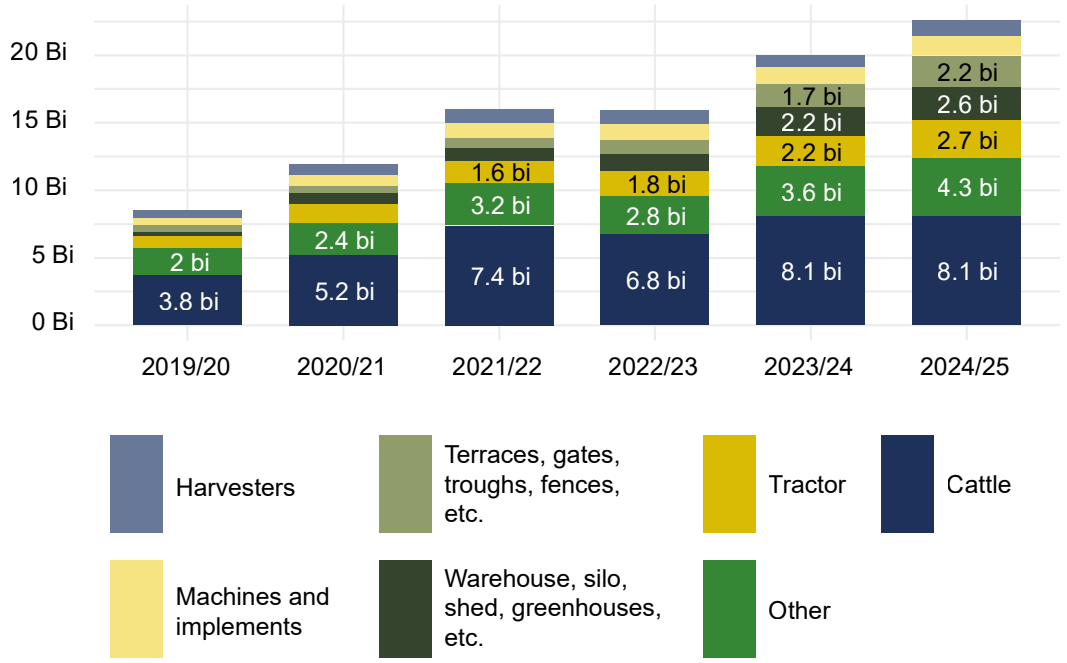
11a. Number of CARs and amount



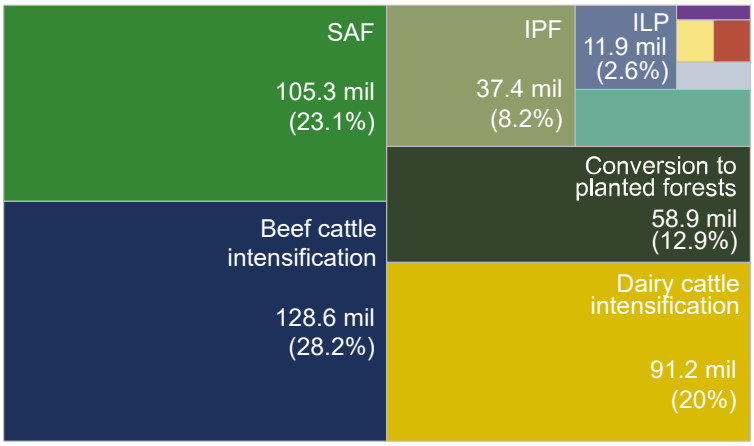
11b. Amount by funding source



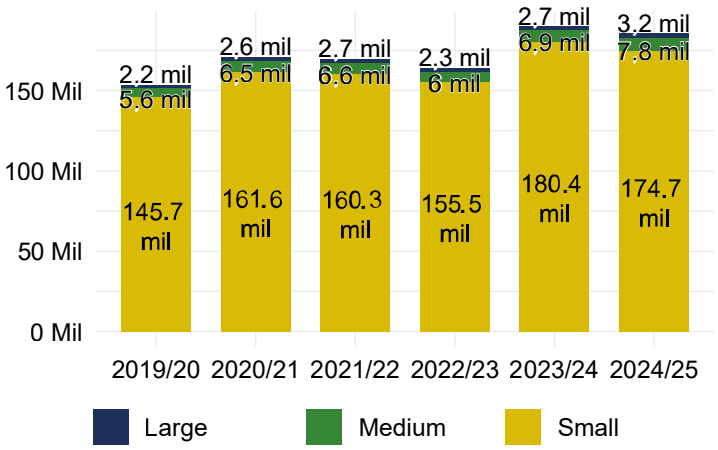
11c. Amount by product



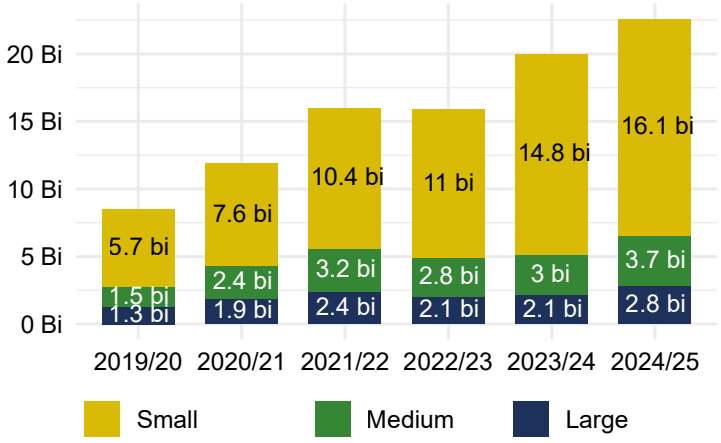
11d. Number of CARs by qualification



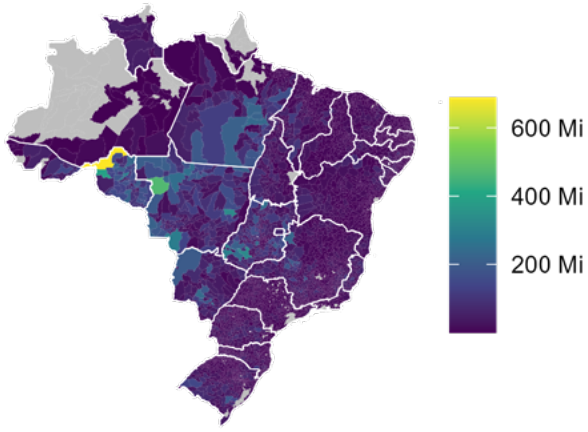
11e. Number of CARs by size*



11f. Amount by CAR size*



11g. Credit by municipality (R$ Million)



*Note: The sizes of the rural properties that were used were: small (up to 4 fiscal modules - MF); medium (over 4 MF to 15 MF); large (over 15 MF). The ranking is defined by Law 8.629, of February 25, 1993, amended by Law No. 13.465 of 2017, and considers the fiscal module, which varies according to each municipality.

Source: results of the study based on SICOR/BCB and on Brasil (2024). Prepared by Agroicone

In the analysis by product (Figure 11c), no changes in relative share are seen across harvest years, with the large amount of investment in cattle acquisition standing out, accounting for 35.8% of this group's total investment in the 2024/25 harvest year. Other products that stood out were capital goods and productive infrastructure, such as machinery, vehicles, warehouses, silos, and other items. Emphasis of financial resources on cattle acquisition stressed the opportunity for coordinating efforts to integrate this group and this portion of funds into a sustainability journey. This is, therefore, a potential demand that could lead to investments in pasture recovery and productive conversion practices, thereby increasing resilience.

It is also worth examining in Group 2 the properties' potential in terms of activities, practices, and systems for pasture recovery and conversion. Figure 11d shows that 28.2% of the potential in this group of properties is for intensifying beef cattle farming, followed by conversion to agroforestry systems (23.1%) and intensifying dairy cattle ranching (20%). It is noteworthy that a single property may have more than one productive potential; therefore, the sum of the potentials is greater than the total number of properties.

Regarding financial resources allocated to costing in properties in Group 2, the total amount adds up to R$ 69.5 billion since the 2019/20 crop year. Of this amount, R$ 31.4 billion were directed toward cattle acquisition (45.1%), indicating significant potential for investments in sustainable cattle ranching systems.

With regard to producer size, Group 2 shows, in terms of number of properties (Figure 11e), an even more concentrated pattern in small-scale properties, which totaled 94% (174,700) in the 2024/25 harvest, while

medium and large farms accounted for 4.3% (7,800) and 1.7% (3,100), respectively. The pattern differs from Group 1 in terms of contracted amounts. In Group 2, R$ 16 billion (71%) were contracted by small farms, while R$ 3.7 billion (16.4%) and R$ 2.8 billion (12.6%) went to medium and large farms, respectively (Figure 11f). The results show how the profile of producers making non-eligible investments is more closely linked to small producers, indicating the need for measures for incorporating potential demand into the agricultural activity's sustainability journey.

From a regional perspective, Figure 11g showed a concentration that stood out in the Midwest, parts of Minas Gerais, and the North, where the states having the highest volume of contracts are Minas Gerais (R$ 12.8 billion; 13.5%), Mato Grosso (R$ 11.5 billion; 12.1%), Goiás (R$ 7.3 billion; 7.7%), and Rondônia (R$ 6.3 billion; 6.7%). The country's Central-North region stood out with its potential, as it is an agricultural frontier that requires productive investments, which could help mitigate the adverse impacts of agricultural production.

Rural properties in Group 2, therefore, represent the group with the greatest potential demand for financial resources aligned with the principles of the PNCPD/Caminho Verde and Eco Invest programs. Since they have already implemented productive interventions on their properties and are therefore already familiar with investment, they would be those most likely to engage in productive transition through financing. This pattern is heightened in the group of small properties, indicating a broad window of opportunity for family farming.

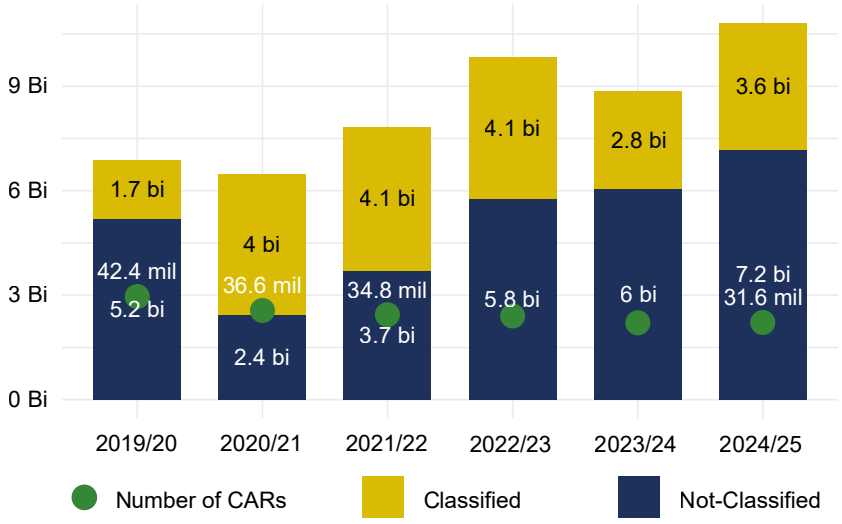
To complement the analysis, the financing resources of producers in Groups 3 and 4 were also examined. This analysis is important because rural properties with a history of financing have already engaged in securing loans. These producers are thus less risk-averse and already accustomed to the banking system, making them potential candidates for investments aligned with the PNCPD/Caminho Verde and Eco Invest programs, though less likely than properties in Group 2.

In Group 3, as shown in Figure 12, the portion of costing already aligned with sustainable practices is distinguished from the portion that is not aligned, since this group may have engaged in both types of financing. In the 2024/25 harvest, 66.6% of the costing resources were found to be aligned with production systems on a sustainability journey, indicating significant progress by this group of producers in operating enterprises with good production practices. In terms of land use, the following stood out in this group: conversion to commercial forest (29% of land use), conversion to agroforestry systems (20%), and intensification of beef cattle ranching (17.2%). Regarding figures, of the R$ 40.9 billion allocated for funding in the 2019/20 to 2024/25 crop years by this group of producers, R$ 4.3 billion (10.5%) were allocated to purchasing cattle.

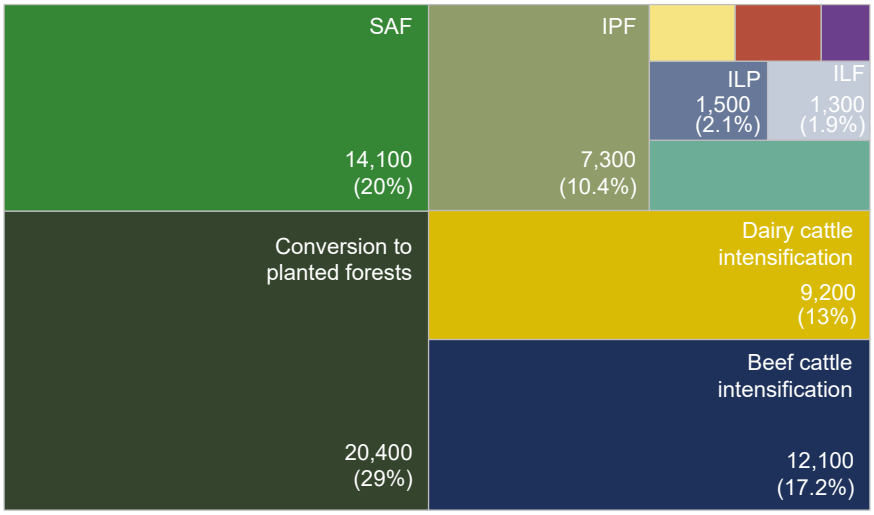
In terms of geographic distribution, Group 3 stood out for the volume of financial resources, particularly in the Rio Grande do Sul (R$ 7 billion; 30.7%), Paraná (R$ 3.4 billion; 14.9%), and Minas Gerais (R$ 2.1 billion; 9.2%) states.

Figure 12: Profile of rural credit for costing in Group 3

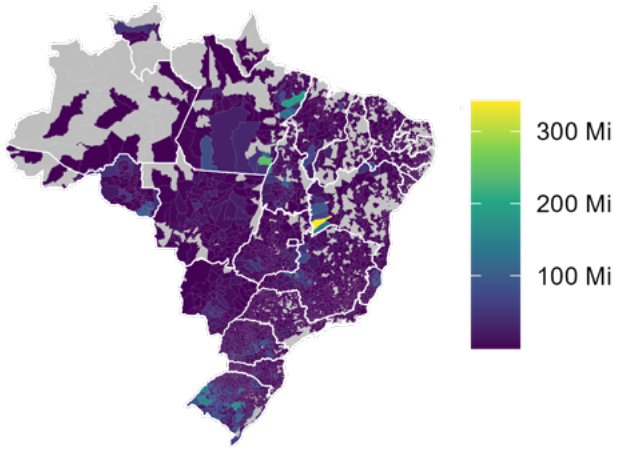
12a. Number of CARs and amount



12b. Number of CARs by qualification



12c. Credit by municipality (R$ Million)

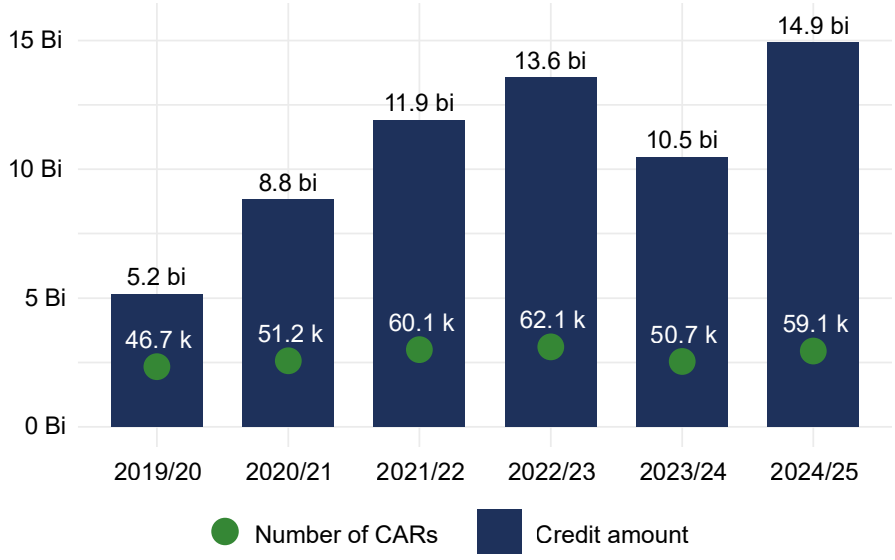


Source: results of the study based on SICOR/BCB and on Brasil (2024). Prepared by Agroicone

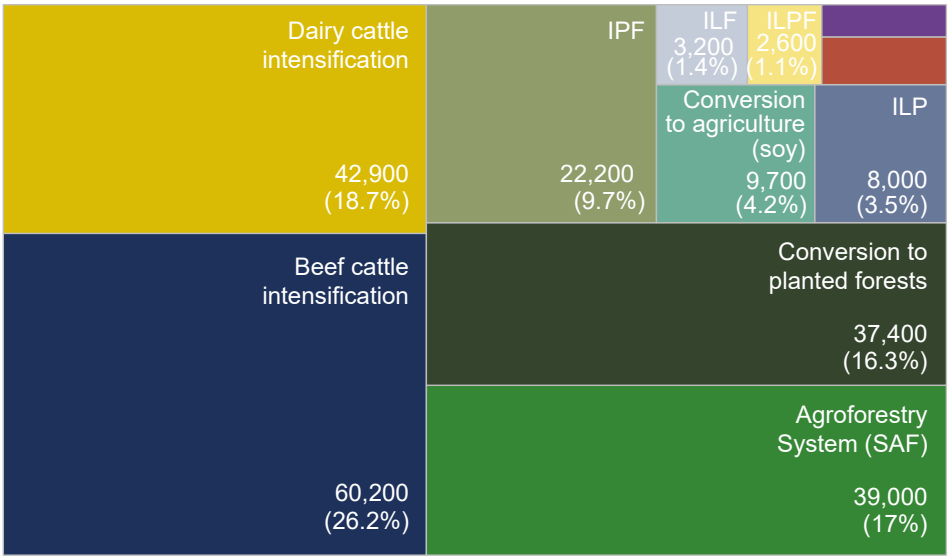
As for Group 4, which of all the groups, has the lowest potential demand for investments that comprise the PNCPD/Caminho Verde and Eco Invest (Figure 13), the total volume of R$ 53.9 billion was contracted for the 2019/20 to 2024/25 funding period, with R$ 24.7 billion (45.9%) allocated to purchasing cattle. For this group, the areas that stand out are the potential for intensifying beef cattle farming (26.2%) and for intensifying dairy cattle ranching (18.7%). Since this is a group with no history of good credit practices, no history of investment in farm improvements, and at the same time, a strong emphasis on cattle purchases, it is essential to reflect on ways to include them in the sustainability journey.

Figure 13: Profile of rural credit for costing in Group 4

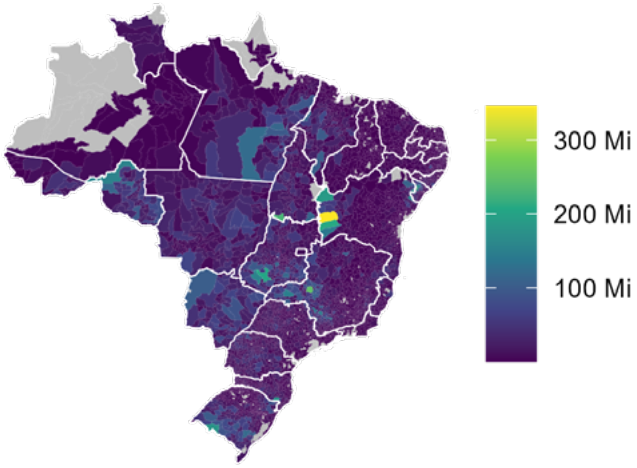
13a. Number of CARs and amount



13b. Number of CARs by qualification



13c. Credit by municipality (R$ Million)



Source: results of the study based on SICOR/BCB and on Brasil (2024). Prepared by Agroicone

In terms of geographic distribution, Group 4 stood out for the volume of financial resources, particularly in the Minas Gerais (R$ 9.4 billion; 17.5%); Paraná (R$ 5.1 billion; 9.5%); and Rio Grande do Sul (R$ 4.7 billion; 8.7%) states.

Based on the definition of these groups — by combining historical data and the contracted credit profile, environmental compliance, and feasibility for intensifying or converting degraded pastures — it is possible to distinguish between current (actual) demand and potential demand, considering the likelihood of contracting investments for the productive transition, the need (or lack thereof) to assure the legality of any deforestation, and economic viability, which impacts the potential return on interventions as well as banking risks.

Figure 14 compiles these results. It shows the number of properties and the area of degraded pasture, by group and whether or not deforestation has occurred. Only those properties with economic and biophysical viability for pasture intensification/conversion were selected, given that this factor is crucial in the credit approval process and influences the potential for productivity gains, income, as well as banking risk.

The first group (in green), the actual demand, or Group 1, consists of properties that are already making investments aligned with the PNCPD/Caminho Verde and Eco Invest programs. This group is already familiar with productive investments focused on sustainability — that is, productive transition and resilience — and is the one that is best suited for the PNCPD/Caminho Verde and Eco Invest profiles, with degraded pasture on their properties.

Figure 14: Actual and short-term potential demand for PNCPD/Caminho Verde and Eco Invest

Figure 14a: no post-2008 deforestation

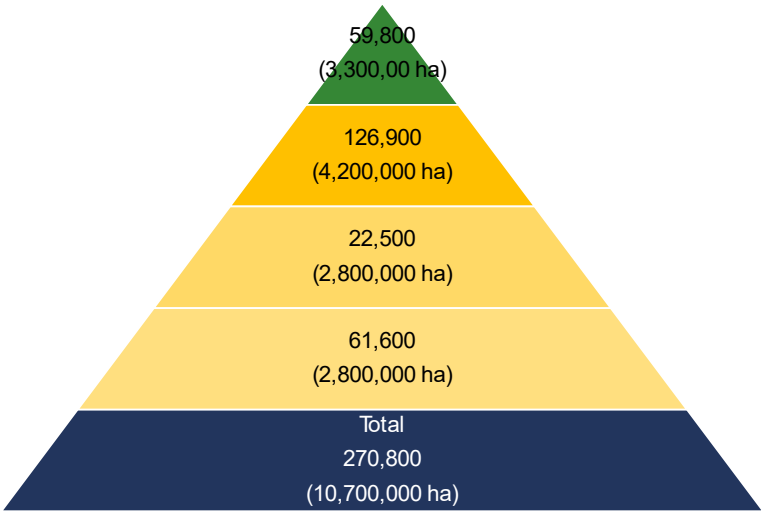
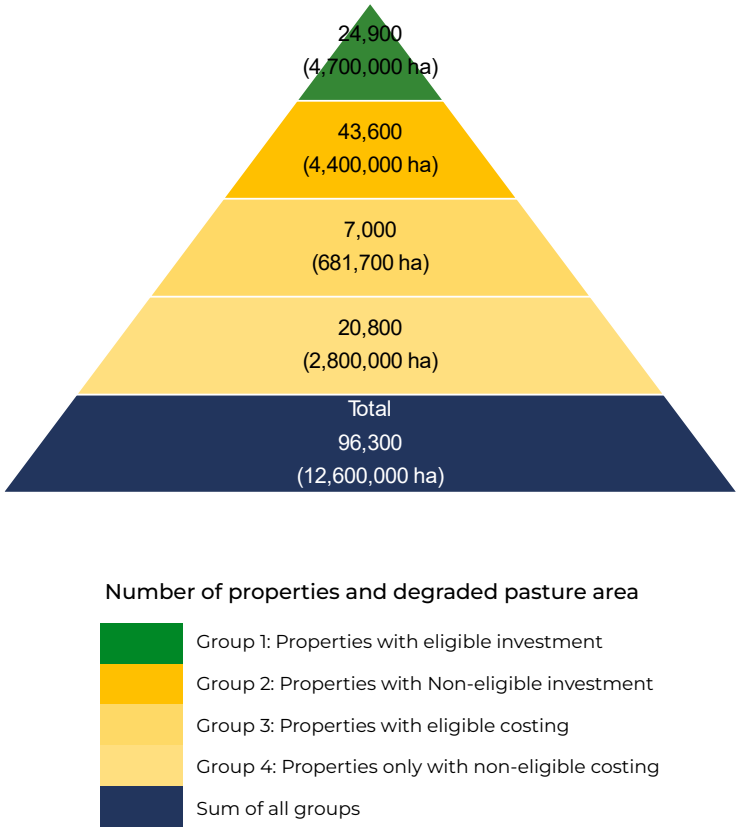


Figure 14b: with post-2008 deforestation



Note: green: actual demand; yellow: the darker the shade, the higher the priority of the potential demand; blue: totals.

Source: results of the study based on SICOR/BCB and on Brasil (2024). Prepared by Agroicone

Group 2 (in darker yellow), on the other hand, comprises those who have made investments in properties but which are not directly related to sustainability initiatives; these are the ones that make up the potential demand with the greatest propensity to engage in financing aligned with the principles of the PNCPD/Caminho Verde and Eco Invest for recovering/converting degraded pastures on their properties. It is worth noting the prevalence of small properties in this group, indicating significant potential for productive transition in family farm cattle ranching.

Groups 3 and 4 (in lighter yellow) would be those least likely to engage in financing aligned with the PNCPD/Caminho Verde and Eco Invest precisely because they lack a history of investment in rural properties, having only engaged in operational financing (costing). However, since these properties have a credit history, they would be more likely to engage in productive transition via financing than a property with no credit history at all. In other words, they can also be considered in estimating potential demand.

Finally, the analysis divides these groups based on the presence (Figure 14b) or absence (Figure 14a) of deforestation after 2008, aiming to identify the need (or lack thereof) to verify the legality of the deforestation that occurred. The rural properties that make up Figure 14b have higher transaction costs and greater environmental risk, since they have already cleared native vegetation in the past.

It is therefore possible to identify a total number of 270,800 rural properties with a history of rural credit contracts, comprising 10.7 million hectares of degraded pastures with economic and biophysical viability for intensification/conversion and which have not undergone deforestation after 2008. Meanwhile, there are another 96,300 rural properties that cover 12.6 million hectares of degraded pastures, with the same characteristics as the previous group, the only difference being the presence of deforestation after 2008; these therefore require guarantees of the legality of such deforestation and are considered lower priority in terms of potential demand.

From a financial standpoint, now incorporating the temporal element, it is possible to make some conjectures about the future trajectory of funds related to actual demand (Group 1), which already makes investments associated with the sustainability journey, as well as potential demand (Group 2), which makes other types of investments. Considering the total degraded area per group (8 Mha and 8.6 Mha, respectively) and applying the proportions of degraded area suitable for sustainable production systems and their respective minimum and maximum initial investments for recovery or conversion[23], it is possible to estimate the additional amount required for performing productive transition in these degraded pasture areas.

[23]These amounts can be identified on page 28 of Brasil (2024), accessing this link: https://agroicone.com.br/wp-content/uploads/2025/03/versao-brasil2012.pdf

Considering Table 7, in which the area allocated per production system is proportional to what is presented in Brasil (2024), as well as the respective minimum and maximum investments (CAPEX) presented in the study for each production system, we obtain an estimate of the additional amount, ranging from a minimum of R$ 100.6 billion to a maximum of R$ 121.4 billion for Groups 1 and 2 combined. This means that, over 10 years, the additional amount required per year would be around R$ 10.1 billion to R$ 12.1 billion.

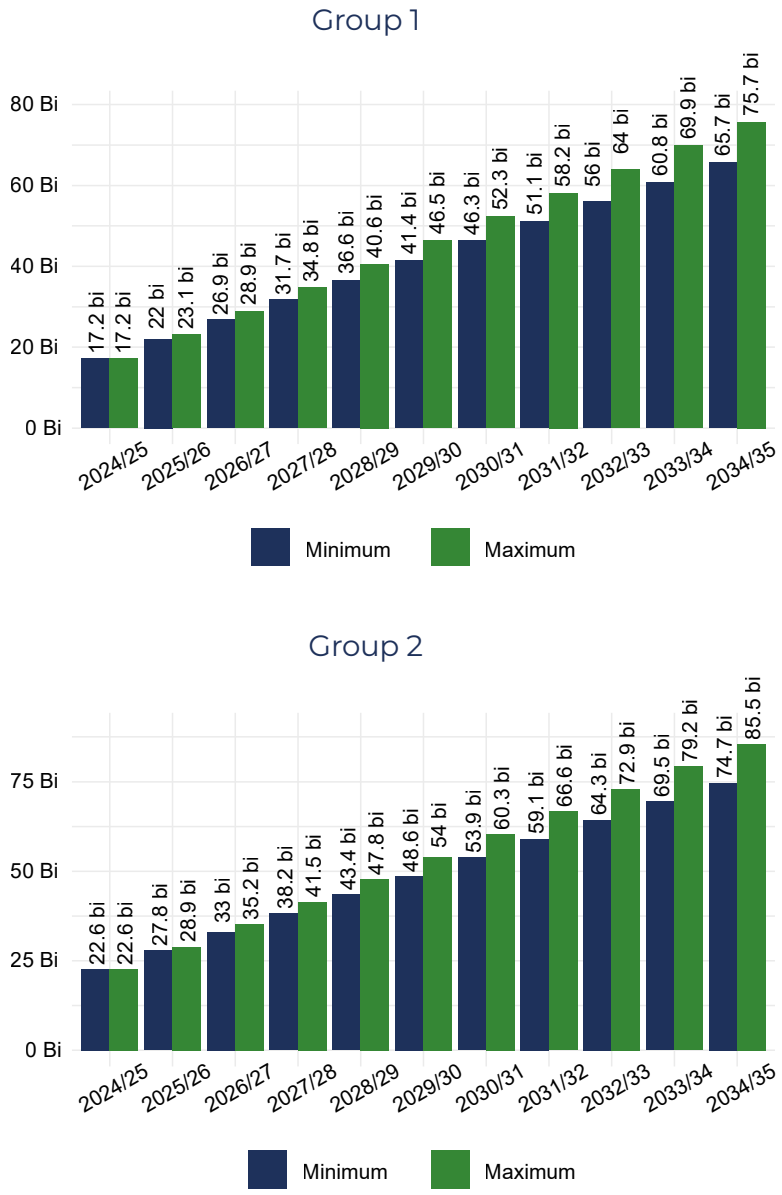
Table 7: Distribution of the area to be reclaimed over 10 years and estimated range of required (minimum) investment funding (Groups 1 and 2)

Transition of productive system	Pasture area to be recovered (1,000 hectares)	Minimum Investment Value (R$ Million)	Maximum Investment Value (R$ Million)
Cattle ranching: medium to high vigor	4,058	18,241	23,724
Cattle ranching: low to high vigor	4,058	20,528	27,772
Soybean	1,926	10,949	13,556
Soy & Corn 2nd crop	1,926	11,004	12,325
Integrated crop-livestock	1,926	10,782	13,386
Eucaliptus	2,459	21,341	22,911
Agroforestry system	246	7,717	7,717
TOTAL	16,600	100,562	121,391

Source: results of a study based on Brasil (2024). Prepared by Agroicone

Thus, starting from R$ 17.2 billion and R$ 22.6 billion in the 2024/2025 crop year demanded by Groups 1 and 2, respectively, the required amount reaches R$ 76 billion and R$ 85 billion in the 2034/2035 crop year for each group (Figure 15).

Figure 15: Estimated trajectory of investment resources for actual demand (Group 1) and potential demand (Group 2) over the next 10 years (R$ Billion)



Source: results from the study based on SICOR/BCB and on Brasil (2024).

Given the situation described above, the next step involves reflecting on agricultural policy instruments' structure and regulatory framework in order to avoid potential overlaps. Furthermore, based on the analyses conducted in previous stages, we sought to identify challenges and opportunities from a proactive perspective, aiming to improve financial resource allocation and efforts within the agricultural policy.

6. PATHS FOR AGRICULTURAL POLICY

Based on the analyses conducted to date, it was possible to follow the virtuous cycle of agricultural policy instruments improving social and environmental aspects and how the PNCPD/Caminho Verde and Eco Invest serve as benchmarks in this process, since they adopt stricter eligibility criteria based on environmental standards.

In addition, the main differences between policies were described, highlighting the issue of deforestation, as well as monitoring and evaluation. Despite these differences, credit policy has undergone recent changes in these areas, bringing greater robustness regarding deforestation compliance and the requirement for proving legality (CMN Resolution No. 5268/2025) as well as mandatory monitoring via remote sensing for financing and investment contracts in projects exceeding 300 ha (CMN Resolution No. 5267/2025).

A comprehensive assessment of actual and potential demand for financing resources in the context of sustainability was conducted, indicating an actual/potential demand for 367,000 properties that cover a combined total 23.3 million hectares of degraded pastures that are suitable for conversion/intensification, presenting a major challenge but also a significant opportunity.

In this regard, guiding regulatory efforts, active management of financial institutions, and improving the implementation of agricultural policy are therefore essential. Charting a trajectory for these instruments' evolution, seeking to better align them with the sustainable productive transition in agriculture and livestock, is imperative. This section therefore aims to point out paths for such improvement, proposing measures from a short-, medium-, and long-term standpoint, as well as recommendations related to research for evaluating the effectiveness of regulatory requirements and incentives that are already incorporated into rural credit policy.

Finally, Appendix A provides details on the regulatory changes required for implementing some of the proposals presented in this section.

6.1.1. SHORT TERM

1. Standardize processes related to social and environmental monitoring of rural properties and financed projects: CMN Resolution No. 5267/2025, which addresses the remote sensing monitoring process, outlines a number of factors that must be noted, such as agricultural suitability, slope, degradation level, and others. However, there is a lack of clarity regarding the method, data sources, or well-defined criteria that must be observed. Therefore, it is suggested that, in the short term, the Central Bank seek to propose a standardized process, thoroughly discussed previously with financial institutions, in order to define a minimally common strategy.

2. Mitigate spillover risk as a criterion for rural credit eligibility: both Eco Invest and BNDES funds operated through the rural credit policy already establish criteria for mitigating spillover risk. Banks operating with BNDES funds already mitigate this risk, but only for these funds on a mandatory basis. It is therefore suggested that an eligibility criterion be defined that takes into account the existence or absence of embargoed areas on all properties within the borrower's economic group, not only those targeted by the financing. It would also be possible to apply the criterion of compliance with deforestation regulations after 2019.

3. Foster real demand for adopting interventions that lead to a sustainable productive transition: As noted in the actual demand analysis, 84,700 rural properties (Group 1 in Figure 14, with and without deforestation after 2008) covering 8 million hectares of degraded pastures, which have a history of rural credit aligned with sustainability (eligible investment) and the economic and biophysical ability to convert/recover degraded pastures. These properties already have rural credit contracts aligned with the sustainability journey. Thus, incentives should be designed in such a way that rural producers make improvements to their existing operations and intensify the process of sustainable productive transition. Specifically, the following are recommended:

- Reduce the interest rate by 0.5 percentage points for new contracts entered into by beneficiaries who have already secured financing under the designated programs and subprograms (RenovAgro, Inovagro, Proirriga, and Sustainable Pronaf) in the last five crop years, whether to make improvements (when in the same area covered by the financing) or expansions (when in another area that is distinct from the previous financing contract) to their production systems, provided they are contracted under one of the aforementioned subprograms and comply with the restrictions set forth in the MCR;

- Reduce the costing interest rate by 0.5 percentage points for beneficiaries of the designated programs and subprograms (RenovAgro, Inovagro, Proirriga, and Sustainable Pronafs) over the last five crop years, provided that the benefit is granted in the same area covered by the investment financing (a provision that is incorporated into rural credit only for RenovAgro);

4. Allocate more financial resources to programs and subprograms that are focused on productive transition and climate resilience: Based on the presented analysis, it was noted that Group 1, which represents actual demand — that is, those rural properties that have already entered into sustainability-oriented contracts — secured a total of R$ 17.2 billion in investment financing with the potential for reducing negative environmental externalities. R$ 8.1 billion of this total were financed through RenovAgro and Pronaf (R$ 5.4 billion and R$ 2.7 billion, respectively), representing 47% of the funding volume for actual demand. Recognizing that these programs and their respective subprograms play a central role in fostering productive transition and resilience, we suggest:

- Allocate R$ 10 billion exclusively to the RenovAgro Recuperação e Conversão program, maintaining the preferential financing terms "paired" with the RenovAgro Ambiental program;

- Allocate at least R$ 5 billion to investment credit lines for Pronaf Agroecologia, Pronaf Semiárido, Pronaf Floresta and Pronaf Bioeconomia

- Allocate R$ 2.0 billion from the Constitutional Fund to investment lines for sustainable purposes and for recovering degraded pastures (Pronaf Agroecologia, Pronaf Semiárido, Pronaf Floresta e Pronaf Bioeconomia), with R$ 600 million from the FCO, R$ 1.1 billion from the FNE, and R$ 300 million from the FNO.

5. Include a new rural credit investment program linked to Caminho Verde Brasil, with criteria and objectives aligned with the 2nd Eco Invest auction. Based on the specific terms of the 2nd Eco Invest auction and the RenovAgro Recuperação e Conversão program, this program can be established in the short term when there are contributions of domestic and foreign funds earmarked for converting degraded pastures into sustainable systems, provided they offer better financing terms to borrowers compared to RenovAgro Recuperação e Conversão for non-Pronaf farmers, and Pronaf Bioeconomia for family farming. Upon implementation, the demand for this financial resource as well as the transaction costs involved in executing the program must be assessed.

6.1.2. MEDIUM TERM

6. Make granting credit for purchasing cattle on properties with degraded pastures conditional on investment in recovery/conversion: Financing for purchasing livestock accounts for approximately 25% of all funds allocated through rural credit. However, such financing provided without considering pasture quality may be intensifying a degradation process and, ultimately, impacting the enterprise's productive capacity and ability to meet its financial obligations. Thus, it is understood that financing for purchasing livestock should be contingent upon investing in pasture recovery/conversion when some degree of degradation is noted:

- Require proof of pasture quality for investment financing under Pronaf, Pronamp, and Inovagro, as well as for financing that is not tied to a specific program for purchasing cattle; and, if there is any degree of pasture degradation, financing must be provided in conjunction with degraded pasture recovery, under one of the RenovAgro subprograms (small and medium-sized rural producers) and through the Pronaf Bioeconomia investment credit line (family farming).

7. Direct potential demand toward investments that foster a sustainable productive transition through incentives: As noted in the analysis of actual/potential demand, 170,500 properties (Group 2 of the exercise) were identified that encompass 8.6 million hectares of degraded pastures, have a history of investment credit, and possess economic and biophysical suitability for intensifying or converting pastures. These properties are already undertaking productive investment interventions, but these are not directly related to best practice adoption. It is necessary to consider arrangements that encourage producers to alter their investment profile, directing them specifically toward labeled programs and subprograms, as well as other interventions on the sustainability journey. Especially in the case of family farmers, it is of great importance to develop incentives that can reach a large number of producers in order to ensure a fair transition. It is also essential that incentives lead to better prices through financing conditions, taking into account the environmental and climate risks that producers incur when opting for ventures that may generate negative environmental externalities. In terms of incentive proposals, the following can be mentioned:

- Under the Pronaf Microcrédito program, increase the credit limit and create a "transition bonus" similar to the bonus for timely repayment for producers with a very high percentage of degraded pasture relative to the total pasture area (>75% of the total pasture area) who take out loans for the purpose of recovering or converting degraded pasture.

- In all credit lines, grant a 0.5 percentage point discount on the interest rate for agricultural financing performed after conversion of degraded pasture to agriculture or to integrated production systems (agroforestry systems, crop-cattle ranching-forestry integration systems, or their different combinations).

- For all credit lines, in the case of credit contracts for purchasing livestock, for properties with degraded pasture covering more than 75% of the total area, increase the financing interest rate by 1 percentage point; and for properties where this percentage is 50% to 75%, increase the interest rate by 0.5 percentage points; these increases may be avoided if credit is simultaneously contracted for the purpose of pasture recovery/conversion;

8. Incorporate social and environmental risk indicators into credit risk management: Social and environmental issues should not be viewed solely from the eligibility standpoint. These criteria must be incorporated into a financial risk management framework. Given that, in the long term, loss of natural capital impacts the productive capacity and climate resilience of the agricultural industry, the ability to repay loans would ultimately be compromised. Approaches such as incorporating a deforestation risk indicator — which takes into account not only whether native vegetation has been cleared but also the risk of clearing it — can have significant impacts on institutions' underwriting process risks.

6.1.3. LONG TERM

9. Extend the period for verifying deforestation to 2008, in accordance with the Forest Code: Currently, the rural credit policy will begin to incorporate verifying deforestation that occurred on or after August 1, 2019. When verifying deforestation, farmers must prove its legality or that it did not occur ("false positive"). This change is extremely important for preventing allocation of funds to rural properties that have been illegally deforested. However, the Forest Code sets July 22, 2008, as the cutoff date for assessing a given instance of deforestation. Even so, it is understood that a change of this kind could trigger a process of exclusion from rural credit, which could particularly affect small properties. Approximately 380,000 properties (18% of all properties identifiable in rural credit databases) with a credit history over the last five crop years show deforestation after 2008, the vast majority of which are small properties of up to four fiscal modules (MF). Thus, it is understood that a change of this kind should be gradual, so as not to impact demand for rural credit:

- Expand the scope of CMN Resolution No. 5193/2024 and CMN Resolution No. 5268/2025, which address deforestation compliance as set forth in MCR 2-9-17 and MCR 2-9-18, considering:

  - (i) aligning the date for verifying deforestation in accordance with the provisions of the Forest Code, Law No. 12651/2012, of July 22, 2008, noting that these areas must comply with stricter legal requirements (such as recovering native vegetation in illegally deforested areas, barring exceptions);

  - (ii) extension to all funds allocated to the agricultural sector;

  - (iii) annual deforestation monitoring and reporting in the credit portfolios of financial institutions throughout the term of the credit contract, proving compliance with the provisions of MCR 2-9-19[24];

  - (iv) details regarding which agency is responsible for verifying the legality of deforestation, how this verification will be conducted and as provided in MCR 2-9-18-"d," submission of a template for a technical remote sensing report.

10. Incorporate a zero-deforestation criterion: Following the Eco Invest model, it would be possible to set a timeframe establishing a zero-deforestation rule, regardless of legality. This type of change within the context of a large-scale public policy, such as rural credit, must also be approached with caution since the Forest Code itself provides for the possibility of legally removing vegetation. However, in order to comply with climate agreements and decarbonization plans, rural credit can serve as a vector for incentives to reduce deforestation, especially through controlled or directed financial resources.

11. Appraise the natural capital of rural producers who have a surplus: Currently, appraising natural capital is a complex task. Uncertainties surrounding environmental policy, particularly the CAR analysis and validation process, as well as the complexity of appraising natural capital beyond carbon — by exploring the value of other ecosystem services — increase information asymmetry regarding the impact that natural capital has on agricultural production and resilience. As these barriers are overcome, this would open the door to a comprehensive process for appraising rural properties endowed with natural capital beyond the provisions of the Forest Code in the credit granting process. Thus, the following are suggested:

- Prioritize granting rural credit to producers who comply with the Forest Code and have surplus native vegetation on their property that qualifies for the issuance of an Environmental Reserve Quota (CRA);

[24]MCR 2-9-19: "The rural credit contract must provide that, if a breach of any of the obligations set forth in this section is found during the term of the financing, the transaction may be downgraded in accordance with MCR 2-8."

- Develop a Federal Government program for monetary recognition of areas with native vegetation surplus that are eligible for issuance of an Environmental Reserve Quota (CRA) or Green CPR, using financial platforms for non-reimbursable funds such as the Amazon Fund or Climate Fund, to establish a symbolic price for the environmental services provided by these areas and to enable these amounts to be used as collateral. Funds would only be accessed in the event of default and enforcement of these guarantees. Additionally, recognize planted forest assets for native forestry activities as part of the collateral for rural credit.

12. Foster access to rural credit for new producers: The analyses presented in this study focus on rural properties that have some credit history. However, it is known that the vast majority of rural producers cannot access this policy. The reasons are manifold, ranging from issues related to environmental compliance and land tenure, to lack of technical assistance and rural extension services, as well as risk aversion itself. However, rural credit is a core instrument in the productive transition toward a more sustainable and resilient model, as this transition requires investment resources. Thus, it is necessary to consider incentives within credit policy for encouraging rural producers that are excluded from the credit system. Some examples of proposals include:

- A 0.5 percentage point reduction in interest rates for Pronaf Floresta (MCR 10-7), Pronaf Semiárido (MCR 10-8), Pronaf Agroecologia (MCR 10-14), and Pronaf Bioeconomia (MCR 10-16) and in the RenovAgro subprograms (MCR 11-7) for beneficiaries who have never taken out rural credit;

- Include an additional 0.5 percentage point for Administrative and Tax Costs (CAT) after the credit contract expires for financial institutions that attract producers or rural properties that have not taken out rural credit in the five previous crop years, provided that the credit is contracted under Pronaf Agroecologia, Pronaf Semiárido, Pronaf Floresta, and Pronaf Bioeconomia

6.1.4. RECOMMENDATIONS FOR ANALYZING THE EFFECTIVENESS OF CRITERIA AND INCENTIVES IN RURAL CREDIT

13. Follow recent changes related to deforestation and monitoring: the changes brought about by CMN Resolutions No. 5193/2024, No. 5267/2025, and No. 5268/2025 are expected to impose additional transaction costs on rural producers and financial institutions. In the case of deforestation, monitoring

will require proper proof of legality. This comes up against the heterogeneity of environmental agencies, differences between the polygons marking legal clearing, and those identified via remote georeferencing, the possibility of overlapping clearings between properties, and other potential measurement errors. The same applies to continuous monitoring of this criterion and the other aspects that will be mandatorily verified. It is therefore necessary to track how these rules will be implemented and whether they will impact the dynamics of credit demand;

14. Monitor and evaluate the positive environmental impacts of financing: Currently, the rules related to financing monitoring have undergone significant changes, incorporating mandatory use of remote sensing for costing and investment contracts signed for projects that are larger than 300 ha. However, this monitoring could be expanded to all costing and investment contracts. Regarding the impacts produced by this financing, the current cost involved in this type of measurement would increase transaction costs related to the contracting process, as well as compliance costs for the financial institution. In other words, the sector needs to mature and costs need to decrease for this to become viable at scale. Even so, it is suggested to begin assessing the impacts arising from investments in sustainability through pilot projects. A good candidate would be to evaluate the policy of granting higher subsidies to rural insurance premiums for beneficiaries with an active contract in RenovAgro, under the assumption that they are adopting more resilient production systems. In summary, it is suggested to:

- Assess the impacts on claims dynamics between policies with a current credit contract under the Programa ABC+ / RenovAgro vs other policies, in order to evaluate the impact of the 2022 announcement of an increase in subsidies for these policies. Do insurance policies associated with enterprises that adopt best practices (through RenovAgro financing) have a lower likelihood of claims?

7. FINAL CONSIDERATIONS

The PNCPD/Caminho Verde and Eco Invest, as the initial financial arm, can be considered benchmarks in the list of available agricultural policy instruments, since they incorporate access criteria that ensure social and environmental compliance, in addition to fostering sustainable production systems that have already been established over decades of tropical agriculture and validated by other public policies, with a special focus on recovering and converting degraded pastures. It is known that such an approach has great potential for transforming production and rural life, and can change the trajectory of many families.

The analysis presented here makes it clear that agricultural policy instruments have been systematically incorporating sustainability elements, whether in terms of eligibility criteria or of fostered production practices, pointing to an important alignment in the instruments.

The comparison drawn between rural credit policy and the PNCPD/Caminho Verde and Eco Invest makes this clear. Credit eligibility criteria have become increasingly restrictive regarding social and environmental non-compliance. Issues such as overlaps with restricted areas and land freezes are already well-established, paving the way for monitoring deforestation and disqualifying properties showing deforestation without proper proof of legality (pursuant to CMN Resolution No. 5193/2024, updated by CMN Resolution No. 5268/2025). This monitoring takes into account the July 31, 2019, deadline and will take effect on April 1, 2026, for medium and large rural properties and as of January 4, 2027, for small rural properties. For BNDES funds, this is already a reality. In other words, the regulatory evolution of rural credit policy points to the main benchmark currently available in terms of public policy instruments, which is Eco Invest itself (which requires zero illegal deforestation as of July 22, 2008, the date defined by the Forest Code, and zero deforestation after December 5, 2023, the publishing date of Decree No. 11.815/2023 that established the PNCPD, which has been renamed Caminho Verde Brasil.

The sustainable production practices and systems fostered by both policies also overlap. When considering only the programs and subprograms labeled under rural credit policy, a volume of R$ 10.8 billion is noted for the 2024/2025 harvest in alignment with the PNCPD/Caminho Verde and Eco Invest. When adopting a more holistic view of credit policy — including contracts signed outside the designated programs and subprograms but which also have the potential to reduce negative environmental externalities — this figure jumps to R$ 30.5 billion in 2024/2025.

This volume of funds, however, is not limited to the target audience of the PNCPD/Caminho Verde and Eco Invest programs, which are aimed at the productive intensification or conversion of degraded pasture lands. In order to identify the portion of funds aligned with the PNCPD/Caminho Verde and Eco Invest programs that were directed toward the same target audience, a filter was applied in order to select properties that took out investment loans and have at least 1 hectare of degraded pasture. **In this analysis, the volume of rural investment credit resources — which align in terms of eligibility criteria and financed activities and are directed toward properties with degraded pastures — totaled R$ 17.2 billion in 2024/2025.**

Since these funds align with the policies, they could eventually be considered in the program's overall calculation, both in terms of allocated financial resources and in terms of results.

However, it is noteworthy that the financial arrangements of both instruments are quite different. While Eco Invest operates under a blended finance mechanism, in which the risk of the operations falls entirely on the financial institutions, the rural credit policy, in addition to interest rate equalization instruments, shares risks with financial institutions depending on the source of the funds.

As shown in Figure 9f, nearly all of the funds that were mapped as aligned with the PNCPD/Caminho Verde and Eco Invest (R$ 17.2 billion) come from controlled sources (directed or Equalizable funds), meaning that they have predefined interest rates. In the case of Equalizable free funds, the Treasury subsidizes part of the rate for producers and directs the funds directly to the institution. For the most part, the banking risk of operations using such sources falls on the institution itself. In other words, it is a pool of loans that combines the institution's willingness to use its own funds and expose itself to banking risk, while the federal government subsidizes part of the producers' costs. Although this arrangement differs from Caminho Verde when implemented by Eco Invest, it shares similarities and appears to present a window of opportunity leading to greater policy integration and, eventually, incorporating rural credit results into the calculations of the PNCPD/Caminho Verde and the Second Eco Invest auction.

The mapped financial resources are not limited solely to those directly aligned with the PNCPD/Caminho Verde and Eco Invest. Also identified are investment resources that do not have explicit alignment with sustainability, productive transition, and resilience (Group 2), but which, with the appropriate incentives, could be incorporated into this path. This represents an opportunity, especially for cattle ranchers who secure financing for purchasing cattle and who own rural properties with degraded pastures, which totaled R$ 8.1 billion (36% of the total allocated to Group 2).

Furthermore, this group stood out for concentrating a significant portion of the financed amount in small rural properties, indicating an opportunity for Family Farming. In total, R$ 22.6 billion were mapped, distributed across 185,700 properties with degraded pastures in 2024/2025.

In other words, these beneficiaries comprise a group of producers who are already engaged in productive investments and are therefore less risk-averse. Since they are already on a path toward productivity gains, they would be more likely to transition to sustainable and resilient production systems compared to producers who have only contracted financing for costing or who have never engaged in financing. Therefore, this group represents significant potential demand, subject to incentives to join the sustainability journey.

Such paths and opportunities regarding agricultural policy frameworks and designing incentives for taking out loans aligned with sustainability journey were explored through a set of proposals for agricultural policy, which are categorized by the timeframe for implementation: short, medium, and long term. Issues such as standardizing monitoring processes, incentives for entry, retention, improvement of rural credit quality, and tools for appraising natural capital, as well as other proposals, were presented, indicating a possible path toward an increasingly sustainable agricultural policy.

In short, this process of change must be understood as organic, and it is important to recognize that abrupt changes can alter demand dynamics, leading to exclusionary rather than inclusive outcomes. Reflecting on sustainability in agricultural policy also means reflecting on access to financial resources that can facilitate productive transition.

APPENDIX A – DETAILS OF REGULATORY CHANGES TO THE PROPOSED MEASURES

This appendix presents the regulatory framework for implementing the proposed measures outlined in Section 5, identifying the respective proposal number.

PROPOSAL 1 - STANDARDIZE PROCESSES RELATED TO SOCIAL AND ENVIRONMENTAL MONITORING OF RURAL PROPERTIES AND FINANCED PROJECTS (SHORT TERM):

o Following the technical discussions with financial institutions, it is suggested that the Central Bank of Brazil (BCB) issue a Resolution regarding the databases to be consulted for granting rural credit, which should be included as part of the BC# Sustainability agenda, specifically the sustainable rural credit bureau (operations with social, environmental, or climate benefits). It is suggested that four databases be included in SICOR, in addition to those already presented by the Central Bank of Brazil, which support monitoring rural credit operations as provided for in MCR 2-7-2-"a'-I and MCR 2-7-7:

- Deforestation maps from the Satellite Deforestation Monitoring Project (PRODES) of the National Space Research Institute (INPE) for all mapped biomes, so that the removal of native vegetation can be monitored, as already provided for in MCR 2-9-17;

- Pasture quality/vigor maps available on the "Atlas das Pastagens" (Pasture Atlas) portal for projects financed through the "Bovines" product (costing or investment), which are accessible at the web address https://atlasdaspastagens.ufg.br/. To this end, a Technical Cooperation Agreement shall be signed between the Central Bank of Brazil, the Agriculture and Cattle Ranching Ministry, and LAPIG/UFG;

- Map showing water potential for irrigation available in the Irrigation Atlas of the National Water Agency (ANA), which must be observed in financing related to irrigation (Pronaf, Pronamp, Proirriga, RenovAgro, financing not linked to a specific program). To this end, signing a Technical Cooperation Agreement between the Central Bank of Brazil, the Ministry of Agriculture and Cattle Ranching, and ANA;

- ZARC maps with the four Stewardship Levels (ZARC NM), as well as the databases required for collecting information from rural producers

and strategies for data collection and monitoring (time without soil disturbance, percentage of soil cover, base saturation, calcium content, aluminum saturation, soil structural quality index). The Central Bank of Brazil already has a Technical Cooperation Agreement with Embrapa/ZARC.

• Publish a CMN Resolution or BCB Normative Instruction on the procedures for verifying the remaining native vegetation in the public forest area located within the rural property, as provided for in MCR 2-9-15.

o Amend the wording of Subparagraph I of Paragraph "c" of Item 1 of Section 7 of Chapter 11 (11-7-1-" c"-I) to specify recovering or converting degraded pastures into sustainable production systems, aligning rural credit with the objectives of the PNCPD, the Plano ABC+, Planaveg, and other plans and policies:

MCR 11-7-1-"c"-I: Recovering or converting degraded pastures into sustainable agricultural, livestock, and forestry production systems, as described in Article 2 of Decree No. 11815/2023.

o In order to comply with the provisions of CMN Resolution No. 5267/2025, include Subparagraph "e," including Items I, II, and III, in Item 2 of Section 7 of Chapter 11 (MCR 11-7-2) as part of the documentation for granting credit for the area subject to financing under RenovAgro Recuperação e Conversão (MCR 11-7-1-"c"-I), effective January 4, 2027: compliance with land use and land cover, providing evidence of the degraded pasture area to be recovered or converted; (ii) compliance with the financed project, demonstrating the recovery or conversion of the degraded pasture area into sustainable production systems:

MCR 11-7-2-"e": e) Effective January 4, 2027, for loans that include recovering or converting degraded pastures, submit supporting documents containing:

I - The land use and vegetation cover of the financed area, assessed up to one year prior to the rural credit agreement, ensuring that it is a pasture land with some degree of degradation;

II - Proof of compliance with the financed project related to recovering or converting the degraded pasture area covered by the funding every two years, until the end of the rural credit contract term;

III - Supporting documents may be technical remote sensing reports, under the responsibility of the institution, or assessment reports issued by a qualified agricultural professional.

o Amend subparagraph “d” of Item 1 of Section 5 of Chapter 10 (MCR 10-5-1-“d”):

> d) may be used for isolated purchases of breeding stock, breeding animals, working animals, semen, ova, and embryos, provided that it is proven, as of January 4, 2027, in the event of adopting a pasture-based production system, that the pasture into which the animals will be introduced shows no degradation, using the LAPIG/UFG “Pasture Atlas”, a remote sensing report, under the responsibility of the institution, or upon presentation of an appraisal report issued by a licensed agricultural professional.

o Add Item 5 and Subitems I, II, and III to Section 16 of Chapter 10 (MCR 10-16-5) – Pronaf Bioeconomia:

> MCR 10-16-5 – Effective January 4, 2027, for loans involving recovering or converting degraded pastures, submit supporting documents containing:
>
> I - The land use and vegetation cover of the financed area, assessed up to one year prior to contracting the rural credit, confirming that the area consists of pasture with some degree of degradation;
>
> II- Proof of compliance with the financed project related to recovering or converting the degraded pasture area covered by the financing every two years, until the end of the rural credit contract term;
>
> III - Supporting documents may be technical remote sensing reports, under the responsibility of the institution, or assessment reports issued by a qualified agricultural professional.

PROPOSAL 2 – MITIGATE THE RISK OF SPILLOVER AS A CRITERION FOR ELIGIBILITY FOR RURAL CREDIT (SHORT-TERM):

o Amend Item 10 of Section 9 of Chapter 2 (MCR 2-9-10) to prohibit rural credit for all rural properties owned by end costumers (individuals or legal entities), including their respective economic groups, which are subject to an environmental embargo:

> 10 - Rural credit shall not be granted for rural properties of end customers, whether individuals or legal entities, including their respective economic groups, that are subject to active embargoes issued by

a relevant federal or state environmental agency, in accordance with the powers set forth in Articles 7 and 8 of Complementary Law No. 140, of December 8, 2011, resulting from economic use of illegally deforested areas on rural properties related to the end customers and their respective economic groups, provided that such properties are listed in the embargo registry of the Brazilian Environment and Renewable Natural Resources Institute (Ibama), and without adopting effective measures for their regularization, in compliance with the requirements established by law or by a specific regulatory act of the relevant authority, such as the Degraded Area Recovery Project (PRAD) protocol, Term of Commitment (TC), Conduct Adjustment Agreement (TAC), or other similar document for proper regularization.

PROPOSAL 4 - ALLOCATE MORE FINANCIAL RESOURCES TO PROGRAMS AND SUBPROGRAMS FOCUSED ON PRODUCTIVE TRANSITION AND CLIMATE RESILIENCE (SHORT TERM):

o Through a Finance Ministry Ordinance authorizing the payment of interest rate equalization on rural loans granted under the 2026/2027 Plano Safra:

- Make R$ 10 billion available exclusively for RenovAgro Recuperação e Conversão (MCR 11-7-2-“d”), distributed among institutions (public banks, BNDES, private banks, and credit unions) while maintaining financing terms (interest rates) similar to those of RenovAgro Ambiental.

- Explicitly allocate at least R$ 5 billion to Pronaf Agroecologia, Pronaf Semiárido, Pronaf Floresta, and Pronaf Bioeconomia investment credit lines

- Include a differential for Administrative and Tax Costs (CAT) for institutions that attract producers or rural properties that have not taken out rural credit in the last five crop years, provided the credit is contracted under RenovAgro Recuperação e Conversão, Pronaf Agroecologia, Pronaf Semiárido, Pronaf Floresta, and Pronaf Bioeconomia, with the additional remuneration to the institution after the credit contract expires being 0.5 percentage points

PROPOSAL 5 – INCLUDE A NEW INVESTMENT CREDIT LINE IN CHAPTER 11 (INVEST AGRO) OF THE MCR THAT MIRRORS THE SECOND ECO INVEST AUCTION WITH IMPROVED FINANCING TERMS:

1 - The Caminho Verde Brasil Financing Program is subject to the specific conditions set forth in Section 1 of this Chapter, in Decree No. 11815/2023; Law No. 14995/2024; MF Resolution No. 964/2024; MF Resolution No. 939/2025; STN/MF Ordinance No. 926/2025; STN/MF Ordinance No. 1416/2025.

2 - Purpose of the loan: (STN/MF Ordinance No. 926/2025, Chapter I, Article 2)

a) foster conversion or recovery of degraded lands into sustainable agricultural, livestock, and forestry production systems, and stimulate environmental compliance and ecological restoration, maximizing environmental, economic, social, and climate benefits;

b) reduce emissions or increase the absorption of greenhouse gases from agricultural and livestock activities, aiming for a better balance per produced unit;

c) stimulate conservation of legal reserve surplus areas and prevent deforestation on financed rural properties, as defined by the Rural Environmental Registry (CAR), through economic incentives, contributing to the zero-deforestation goal;

d) increase agricultural and forestry productivity and production on a sustainable basis, contributing to global food, nutritional, and energy security;

e) foster climate change mitigation and adaptation and water resilience in agricultural and forestry production units;

f) stimulate use of sustainable technologies in agriculture and the forestry sectors;

g) expand forest areas and contribute to preserving biodiversity;

h) contribute to combating desertification in the country's areas;

i) contribute to the productive and social inclusion of small-scale producers and rural workers;

j) contribute to achieving the goals of the United Nations Sustainable Development Goals (SDGs);

k) improve assessment and monitoring of the environmental and economic outcomes and results of targeted credit.

3 – Beneficiaries: (STN/MF Ordinance No. 926/2025, Chapter 4, Article 7)

a) rural producers, whether individuals or legal entities, who are directly engaged in agricultural production;

b) farmers' cooperatives, in their capacity as farmers;

c) cooperatives and anchor companies, which are considered to be those that are part of agribusiness supply chains and have a direct relationship with rural producers or cooperatives, including through supply contracts, technical assistance, marketing, or production support.

4 - Purposes (STN/MF Ordinance No. 926/2025, Chapter XII, Articles 24 and 25):

a) Supported projects may incorporate practices aimed at water resilience, as guided by the agronomist or technician in charge of the degraded land restoration program, including, as applicable

I. rainwater harvesting and storage, using technologies such as cisterns, small dams, contour lines, and retention ditches;

II. efficient irrigation, prioritizing high-water-efficiency methods such as drip irrigation and localized sprinkler irrigation;

III. using cultivars adapted to water stress, in accordance with local technical recommendations;

IV. soil conservation practices that favor water infiltration and retention, such as permanent cover, terracing, and level planting;

V. protecting springs, riparian forests, and water recharge areas;

VI. Other practices recognized as contributing to water resilience, as provided for in the Operational Manual for the Eco Invest Brasil Auction No. 2/2025.

b) Projects shall adopt sustainable agricultural practices and corresponding measures, in accordance with the type of production activities and in compliance with Embrapa's technical protocols, as set forth in the Eco Invest Brasil Auction Operational Manual No. 2/2025:

I. in the case of agricultural activities:

- no-till farming;
- use bio-inputs and inoculants;
- use certified seeds or seeds saved in accordance with the law;
- cover cropping;
- manage pesticide packaging;
- plant during the seasons recommended by the Agricultural Climate Risk Zoning (ZARC).

II. in the case of cattle ranching:

- form paddocks;
- protect water bodies against animal access, with the installation of watering troughs;
- animal traceability;
- use certified seeds or seeds saved in accordance with legislation;
- minimum stocking density per hectare, in accordance with technical assistance protocols, such as the Embrapa/ESALQ Yield Gap Analysis Framework;
- pasture rotation;

III. in the case of forestry or restoration activities:

- soil and water stewardship and conservation, including minimum tillage and contour planting;
- integrated pest and disease stewardship;
- use bio-inputs;
- prepare and implement a firefighting plan;

IV. for all eligible activities, as defined in the Eco Invest Brasil Auction Operational Manual No. 2/2025:

· annual greenhouse gas emissions report starting in the third year of financing;

· submit annual reports on production and productivity to the Caminho Verde Program

5 - Eligible items for financing, provided they are linked to projects intended for the purposes described in Item 4 of this Section, in individual or collective transactions (Eco Invest Brasil Auction Operational Manual No. 2/2025; CMN Resolution No. 4889, Article 1; CMN Resolution No. 4912, Article 8; CMN Resolution No. 4939, Article 3; CMN Resolution No. 5021, Article 13; CMN Resolution No. 5079, Article 5; CMN Resolution No. 5175, Article 1; CMN Resolution No. 5228, Article 6):

a) drafting technical plans and rural property georeferencing, including technical and administrative expenses related to the environmental compliance process;

b) technical assistance related to all of the project's operational, productive, environmental, and administrative activities, either jointly or separately, including technical and safety training, for implementing and maintaining the project;

c) contracting services to obtain certifications for labor and environmental purposes, including those related to the environmental licensing process, and agricultural and forestry practices related to the project's activities;

d) goods and services for collecting, transporting, and conducting laboratory analysis of samples, with the aim of assessing soil health, identifying the need for correction, and recommending inputs that are appropriate for the soil conditions and the activities provided for in the project;

e) goods, services, transportation, and laboratory analyses, including project monitoring, image collection via drones, and remote sensing services;

f) purchasing inputs and bio-inputs, and payment for services intended for implementing and maintaining the funded projects;

g) acquiring, transporting, applying, and incorporating agricultural corrective agents (limestone and others) and remineralizers that are registered with the Agriculture and Livestock Ministry (MAPA);

h) hiring third parties for performing activities related to the project's agricultural, livestock, and forestry operations;

i) hiring services for obtaining certifications for labor and environmental purposes, including those related to the environmental licensing process, and agricultural and forestry practices related to the project's activities

j) marking and building terraces and contour lines, and implementing soil conservation practices;

k) realigning internal roads on rural properties for the purposes of erosion control and environmental adaptation;

l) green manuring and planting cover crops;

m) payment for services related to switching to organic production and its certification;

n) purchasing seeds and seedlings for forming pastures and forests;

o) implementing nurseries for seedlings of forest species, açaí, cacao, olive, walnut, and palm trees, as well as seedlings of native species for replanting and restoring permanent preservation areas and legal reserves;

p) installing and repairing fences, purchasing fence energizers, and purchasing, building, or restoring water troughs and salt licks;

q) purchasing cattle, buffalo, sheep, and goats for breeding, as well as semen, ova, and embryos of these species;

r) purchasing machinery, implements, and equipment for agricultural use, including for installing irrigation systems;

s) building and modernizing improvements and facilities on rural properties, limited to 30% (thirty percent) of the financed amount;

t) expenses related to using own labor, provided they are consistent with production cost structures, pertaining to structured and technically assisted projects, and that the service being financed is performed in accordance with the project;

u) biodigesters, machinery, and equipment for composting and for waste management systems derived from animal production, including for producing and storing energy resulting from this process;

v) implementing, improving, and maintaining renewable energy generation systems for on-site consumption;

w) acquiring truck-mounted or trailer-mounted water tanks for firefigh-

ting on rural properties, as well as installing and adapting the structures and equipment required for implementing integrated fire stewardship, fire prevention, and firefighting, limited to 30% (thirty percent) of the financed amount;

x) purchasing individual protective equipment (EPIs), collective protective equipment (EPCs), and signage materials;

y) goods and services intended for building storage structures (such as silos, warehouses, and small refrigerated structures), provided they are compatible with the project's scale and are directly linked to distributing or preserving the production generated by the activities and directly integrated into the technical plan; they are not permitted when requested independently, that is, without a functional relationship to the production conversion and recovery practices provided for in the project;

z) goods and services aimed at managing, automating, tracking, or monitoring activities related to the funded project. Such as computers, tablets, and rural management software. Also eligible are weather stations, soil sensors, moisture meters, and drones for aerial mapping, as well as assistive technologies, including their adaptations;

aa) goods and services aimed at implementing structures that enhance animals' thermal comfort and well-being, contributing to reducing abiotic stress, increasing productivity, and ensuring the system's sustainability

6 - Costs associated with the investment may be financed, limited to 30% (thirty percent) of the financed amount, with an increase permitted up to 35% (thirty-five percent) when such costing if intended for implementing and maintaining commercial forests or restoring permanent preservation areas or legal reserves (CMN Resolution No. 5228, Article 6);

7 - Credit disbursement: in installments, according to the project's schedule;

8 - Repayment:

a) up to 25 (twenty-five) years, which may be extended to up to 30 (thirty) years, including up to 12 (twelve) years of grace period, in accordance with the technical project, for funding heterogeneous commercial forests composed mainly or exclusively of native species (native tree plantations) and for funding ecological restoration, reforestation, or native vegetation recovery linked to environmental improvements in the production system or to generating carbon credits through financing;

b) up to 15 (fifteen) years, with a grace period of up to 7 (seven) years, in accordance with the project, for other purposes that do not fall under the preceding subparagraph.

9 - Documents required for granting the financing referred to in this Section, as well as additional eligibility criteria for granting investment financing beyond those set forth by the National Monetary Council for rural credit (STN/MF Ordinance No. 926/2025, Article 4 of Chapter III); MF Ordinance No. 964/2024, § 4 of Art. 9; CMN Resolution No. 4889, Art. 1; CMN Resolution No. 5079, Art. 5):

a) the rural unit must have an active registration in the CAR, with no outstanding issues regarding the producer's compliance with notifications issued by the relevant authorities;

b) no deforestation on the beneficiary property, even if legally authorized by the relevant environmental agencies, since December 6, 2023, and throughout the term of the credit facility with the institution;

c) express provision for obtaining environmental licenses, authorizations, or permits, and a commitment to obtain them in accordance with current local legislation for projects that, under the terms of the said legislation, require such instruments;

d) submission of already obtained licenses, authorizations, or permits, even if on a provisional basis;

e) in cases where the area benefiting from the credit transaction is under a lease, the respective lease contract must have a term equal to or longer than the term of the credit contract with the institution

f) in cases where the credit transaction includes purchasing cattle or buffalo (financeable items referred to in Subparagraph "q" of Item 5), submit the Animal Transit Guides (GTA) and the respective registration codes in the Rural Environmental Registry Information System (SiCAR) for the rural properties from which the animals were purchased;

g) a specific technical project, signed by a qualified professional, which shall include the identification of the property and its total area;

h) a descriptive sketch and history of land use for the project area, which must be identified in accordance with MCR 2-1-2;

i) evidence of soil analysis and the corresponding agronomic recommendation, including soil organic matter content, in addition to the usual items;

j) agricultural, agroforestry, or forestry stewardship plan, as applicable, for the project area;

k) for organic agriculture: registration in the National Registry of Organic Producers or a statement of monitoring the conversion project issued by a certifier accredited by MAPA;

l) for financing that includes the implementing sustainable forest stewardship plans: a stewardship plan approved by the relevant environmental agency.

10 - With regard to the eligible items referred to in Subparagraph “q” of Item 5, it should be noted that (CMN Resolution 5.079, Article 5):

a) genetic material (semen, embryos, and oocytes) to be acquired with funding must come from donors with a certificate of registration and performance evaluation for dairy farming or, alternatively, for cattle ranching, the Special Identification and Production Certificate (CEIP) must be presented;

b) upon acquisition of breeding stock and breeding animals, the pedigree registration certificate issued by institutions authorized for this purpose shall be presented, provided that:

I - for breeding stock and breeding animals suitable for cattle ranching, the animals must be registered in the Genealogical Registry of breeder associations that are authorized by MAPA and possess a performance evaluation attesting to superiority within the breed in at least one characteristic, or possess a CEIP; and

II - for breeding stock and breeding animals suitable for cattle ranching, the breeding animals must be registered in the Genealogical Registry of breeder associations that are authorized by MAPA and have a performance evaluation attesting to positive milk production, and the breeding stock must have been evaluated, in at least one closed lactation, under official milk recording.

11 - The eligibility criteria referred to in Item 9 of this Section must (Eco Invest Brasil Auction Operational Manual No. 2/2025; MF/STN Ordinance No. 926/2025, Art. 5, §§ 1 and 2):

a) be observed continuously throughout the entire term of the credit operation undertaken by the financial institution, not limited to the time of its origination; and

b) be aligned with the information and databases used by the relevant authorities, ensuring technical, environmental, and regulatory compatibility of the operations within the Program’s scope.

12 - The area's eligibility for the purpose of recovering degraded land shall be demonstrated through a soil health analysis confirming the minimum degree of degradation, with a technical report signed by a duly registered technical professional, in accordance with the protocols of the Brazilian Agricultural Research Corporation (Embrapa), where applicable – Embrapa (Finance Ministry/National Treasury Ordinance No. 926/2025, Art. 4, § 2, Chapter III).

13 - Failure to comply with any criterion during the term of the credit transaction may result in penalties for financial institutions and the ultimate borrowers of the transactions, pursuant to the provisions of Article 16-A of Finance Ministry Ordinance No. 964 of 2024, issued by the National Monetary Council, and as provided for in the Operational Manual for the Eco Invest Brasil Auction No. 2/2025.

PROPOSAL 6 - REDIRECT CREDIT FOR PURCHASING CATTLE ON PROPERTIES WITH DEGRADED PASTURES TOWARD INVESTMENT IN RECOVERY/ CONVERSION:

Effective January 4, 2027, proof of pasture quality shall be required for working capital and investment financing for purchasing cattle; and if there is any degree of pasture degradation, financing must be provided in conjunction with the degraded pasture recovery, under the Pronaf Bioeconomia program. MCR 10-5-1-"d" (Pronaf Mais Alimentos)[25] and CMN Resolution No. 267/2025, set forth in MCR 2-7, contain requirements that align with this proposal, but it is suggested to amend it and expand it to cover all RenovAgro, Pronaf, and costing funding, in addition to specifying the documentation and analysis required for these financing arrangements, such as verifying pasture quality through satellite image analysis and georeferencing. The "Atlas da Pastagens" portal, accessible at the web address https://atlasdaspastagens.ufg.br/, can be used by financial institutions for this verification or for an evaluation report issued by a qualified professional attesting to the quality of the pastures on the financed project. Thus, the following are suggested:

- Amend subparagraph I of paragraph "b" of Item 3 of Section 2 of Chapter 3 (MCR 3-2-3-"b"-I), subparagraph "a" of Item 3 of Section 3 of Chapter 3 (MCR 3-3-3-"a"), and include Item 7 in Section 1 of Chapter 8 (MCR 8-1-7) of the MCR:

[25]MCR 10-5-1-"d": breeding stock, breeding animals, working animals, semen, ova, and embryos may be used for isolated purchases, **however the project or proposal must demonstrate that the other required factors for the farm's successful operation — particularly feed and water supply, facilities, labor, and equipment — are sufficient.**

MCR 3-2-3-“b”-I: I - purchasing animals for rearing and fattening, in the case of a venture conducted by an independent rural producer, provided that, as of January 4, 2027, if a pasture-based production system is adopted, it is proven that the pasture into which the animals will be introduced shows no signs of degradation, in order to comply with the provisions of MCR 2-7-9 (CMN Res. No. 5267/2025), using the “Pasture Atlas” from LAPIG/UFG, a remote sensing report, under the responsibility of the institution, or by presenting an assessment report issued by a qualified agricultural professional. If the pasture shows any degree of degradation, the contract must be directed toward investment credit lines intended for recovering or converting degraded pastures.

MCR 3-3-3-“a”: a) purchasing animals for breeding or raising, provided that, as of January 4, 2027, if adopting a pasture-based production system, it is proven that the pasture into which the animals will be introduced shows no degradation, in order to comply with the provisions of MCR 2-7-9 (CMN Res. No. 5267/2025), using the LAPIG/UFG “Pasture Atlas,” a remote sensing report, under the responsibility of the institution, or by presenting an assessment report issued by a qualified agricultural professional. If the pasture shows any degree of degradation, the investment must be directed toward credit lines intended for recovering or converting degraded pastures.

- Include Item 7 of Section 1 of Chapter 8 (MCR 8-1-7) - Pronamp:

7 - Cattle ranching costing financing that involves purchasing animals for rearing and fattening must, as of January 4, 2027, demonstrate — if a pasture-based production system is adopted — that the pasture into which the animals will be introduced is not degraded, in order to comply with the provisions of MCR 2-7-9 (CMN Resolution No. 5267/2025), using the LAPIG/UFG “Pasture Atlas,” a remote sensing report under the responsibility of the institution, or by presenting an assessment report issued by a licensed agricultural professional. If the pasture shows any degree of degradation, the contract must be directed toward investment credit lines intended for recovering or converting degraded pastures.

- Amend subparagraph “d” of Item 1 of Section 5 of Chapter 10 (MCR 10-5-1-“d”):

d) breeding stock, breeding animals, working animals, semen, ova, and embryos can be used in isolated purchases, provided that, as of January 4, 2027, if a pasture-based production system is adopted, it is proven that the pasture into which the animals will be introduced shows no signs of degradation, in order to comply with the provisions of MCR 2-7-9 (CMN Res. No. 5267/2025), using the LAPIG/UFG “Pasture Atlas,” a remote sensing report, under the responsibility of the institution, or by presenting an evaluation report issued by a qualified agricultural professional.

PROPOSAL 7 – INCORPORATE SOCIAL AND ENVIRONMENTAL RISK INDICATORS INTO CREDIT RISK MANAGEMENT (MEDIUM TERM):

o Improve CMN Resolution No. 5.267/2025, which amends Section 2 (Monitoring and Inspection) of Chapter 2 (Basic Conditions) of the MCR, by including Subparagraph "e" in Item 11 (MCR 2-2-11-"e"):

> e) methodology for assessing deforestation risk by rural property and measures for prevention, enforcement, and incentive actions aimed at conserving native vegetation

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PROPOSAL 8 - EXTEND THE DEFORESTATION MONITORING PERIOD TO 2008, IN ACCORDANCE WITH THE FOREST CODE (LONG TERM):

o Improve CMN Resolution No. 5193/2024 and CMN Resolution No. 5268/2025, which address monitoring illegal deforestation as provided for in MCR 2-9-17 and MCR 2-9-18, and CMN Resolution No. 5267/2025, which amends Section 2 (Monitoring and Inspection) of Chapter 2 (Basic Conditions) of the MCR, considering:

> • Amend Item 17 of Section 9 of Chapter 2 (MCR 2-9-17) to align the deforestation verification date of July 22, 2008, as provided by the Forest Code, Law No. 12651/2012:
>
> > 17 - The institution shall verify whether native vegetation was cleared after July 22, 2008 on the rural property where the project will be implemented, by consulting the information obtained and made available by the Environment and Climate Change Ministry, based on the database of the Project for Monitoring Deforestation in the Legal Amazon via Satellite – PRODES of the National Space Research Institute, noting that this requirement shall take effect on:
> >
> > a) April 1, 2026, for properties with an area greater than four fiscal modules; and
> >
> > b) January 4, 2027, for properties with an area of up to four fiscal modules
>
> • Amend Item 18 of Section 9 of Chapter 2 (MCR 2-9-18) to extend the provision to all financial resources allocated to the agricultural sector:
>
> > 18 - If the removal of native vegetation has been verified in accordance with Item 17, granting of rural credit with funds pursuant to Chapter 6

(Funds) of the MCR is conditional upon the borrower's submission of one of the following documents regarding the verified removal on the property, which shall be included in the transaction file:

a) Authorization for Vegetation Removal (ASV) or Authorization for Alternative Land Use (UAS) related to the area deforested after July 22, 2008, pursuant to Article 26 of Law No. 12651, of May 25, 2012;

b) a document proving that the Project for Recovering Degraded or Altered Areas (PRAD) or the Commitment Agreement of the Environmental Compliance Program (PRA), approved by the relevant environmental agency, has been implemented or is currently being implemented;

c) the Conduct Adjustment Agreement (TAC) signed with the Public Prosecutor's Office for environmental compliance; or

d) a technical remote sensing report, under the responsibility of the financial institution, proving absence of deforestation on the rural property after July 22, 2008.

• Publish a BCB Normative Instruction or CMN Resolution detailing the provisions of MCR 2-9-18-"d," including a template for the technical remote sensing report.

PROPOSAL 9 - INCORPORATE A ZERO-DEFORESTATION CRITERION (LONG-TERM):

o Improve CMN Resolution No. 5193/2024 and CMN Resolution No. 5268/2025, which address compliance with deforestation regulations set forth in MCR 2-9-17 and MCR 2-9-18, and CMN Resolution No. 5267/2025, which amends Section 2 (Monitoring and Inspection) of Chapter 2 (Basic Conditions) of the MCR, considering:

• Amend Item 17 of Section 9 of Chapter 2 (MCR 2-9-17) to extend it to all funds allocated to the agricultural industry:

17 - The financial institution must verify whether native vegetation was cleared after July 22, 2008, on the rural property where the project will be implemented, by consulting the information obtained and made available by the Environment and Climate Change Ministry, based on the database of the Project for Monitoring Deforestation in the Legal Amazon via Satellite – PRODES of the National Space Research Institute, noting that this requirement enters into effect on:

a) July 3, 2029, for properties with an area greater than four fiscal modules; and

b) July 2, 2030, for properties with an area of up to four fiscal modules.

• Amend Item 18 of Section 9 of Chapter 2 (MCR 2-9-18) to extend the provision to all funds allocated to the agricultural industry:

18 - If the removal of native vegetation has been verified in accordance with Item 17, granting rural credit is conditional upon the borrower's submission of one of the following documents regarding the verified removal on the property, which shall be included in the transaction file:

a) Authorization for Vegetation Removal (ASV) or Authorization for Alternative Land Use (UAS) related to the deforested area after July 22, 2008, pursuant to Article 26 of Law No. 12651, of May 25, 2012;

b) a document proving that the Project for Recovering Degraded or Altered Areas (PRAD) or the Commitment Agreement of the Environmental Compliance Program (PRA), approved by the relevant environmental agency, has been implemented or is currently being implemented;

c) the Conduct Adjustment Agreement (TAC) signed with the Public Prosecutor's Office for environmental compliance; or

d) a technical remote sensing report, under the responsibility of the financial institution, proving the absence of deforestation on the rural property after July 22, 2008.

• Publish a BCB Normative Instruction or CMN Resolution detailing the provisions of MCR 2-9-18-"d," including a template for the technical remote sensing report.

PROPOSAL 10 - VALUE THE NATURAL CAPITAL OF RURAL PRODUCERS WHO HAVE A SURPLUS OF IT

o Prioritize granting rural credit to producers who comply with the Forest Code and have a surplus of native vegetation on their property, which is eligible for issuing an Environmental Reserve Quota (CRA):

• Amend the wording of Item 6-A in Section 2 of Chapter 3 (MCR 3-2-6-A):

6-A - Subject to the conditions set forth in items 6-C and 6-D, financing operations contracted on or after October 2, 2023, shall be given preference in being granted rural credit and shall be eligible for an interest rate reduced by at least 0.5 (half) percentage point from the maximum interest rate applicable to the financing, provided that the credit beneficiary proves that the rural property where the financed project is located meets one of the following conditions for registration in the CAR:

a) reviewed and in compliance with Law No. 12651 of 2012;

b) analyzed and in compliance with the Environmental Compliance Program (PRA), established by Law No. 12651 of 2012; or

c) analyzed and in compliance with Law No. 12651 of 2012, eligible for issuance of an Environmental Reserve Quota (CRA).

- Include Item 13 in Section 3 of Chapter 3 (MCR 3-3-13):

13 – Beneficiaries who demonstrate the conditions described in MCR 3-2-6-"c"-III and in MCR 3-2-6-A-"c", which attests to incentives for the analyzed CAR, in accordance with Law No. 12651 of 2012, eligible for the issuance of an Environmental Reserve Quota (CRA), shall have preference in being granted rural credit.

o Develop a Federal Government program for monetary recognition of areas exceeding the Legal Reserve requirement, through the Environmental Reserve Quota (CRA) or CPR Verde, using financial platforms for non-reimbursable funds such as the Amazon Fund or Climate Fund, to establish a symbolic price for the environmental services provided by these areas and to enable these amounts to be used as collateral. Funds would only be activated in the event of default and enforcement of these collateral assets. Additionally, recognize planted forest assets for native tree forestry activities as part of the collateral for rural credit concessions. Finally, there is a need to revise Decree No. 9640/2018[26] and Decree No. 10828/2021[27]:

- Include Subitem IV in Subparagraph "a" of Item 4 in Section 1 of Chapter 3 (MCR 3-1-4-"a"-IV):

IV – native forest assets, backed by the Environmental Reserve Quota (CRA) or CPR Verde, and planted forest assets, for native forestry activities

[26]Available at: https://www.planalto.gov.br/ccivil_03/_Ato2015-2018/2018/Decreto/D9640.htm

[27]Available at: https://www.planalto.gov.br/ccivil_03/_Ato2019-2022/2021/Decreto/D10828.htm

PROPOSAL 3 - STIMULATE ACTUAL DEMAND BY IMPLEMENTING MEASURES THAT SUPPORT A SUSTAINABLE PRODUCTIVE TRANSITION (SHORT TERM);

PROPOSAL 6 - DIRECT POTENTIAL DEMAND TOWARD INVESTMENTS THAT SUPPORT A SUSTAINABLE PRODUCTIVE TRANSITION THROUGH INCENTIVES (MEDIUM TERM);

PROPOSAL 11 - FACILITATE ACCESS TO RURAL CREDIT FOR NEW PRODUCERS (LONG TERM):

The set of proposals refers to incentives through rural credit financing terms (interest rates and increased credit limits). For Pronaf Agroecologia specifically, it is necessary to include provisions in Section 14 of Chapter 10, as described below. Therefore, the following are suggested:

- Through a Resolution of the National Monetary Council (CMN), it is suggested to amend Table 1 of the following Sections of Chapter 7 (Financial Charges and Credit Limits): Section 1 (MCR 7-1: Financing Not Linked to a Specific Program); Section 4 (MCR 7-4: National Program for Supporting Medium-Sized Rural Producers – Pronamp); Section 6 (MCR 7-6: National Program for Strengthening Family Farming – Pronaf); Section 7 (MCR 7-7: Agricultural Investment Programs – Invest Agro); and amend Table 2 of Section 6 of Chapter 7 related to Pronaf "B".

With regard to Section 1 of Chapter 7 (MCR 7-1), the changes in Table 1 refer to the reduction in the interest rate for agricultural financing not tied to a specific program, implemented following the conversion of degraded pastures to agriculture or integrated systems:

"Table 1: Financial Charges for Financing Not Tied to a Specific Program"

Beneficiary / Objective	Effective interest rate of up to (% p.a.)		Additional Conditions
	Fixed rate	Floating rate	
Costing / Operating Credit (MCR 3-2), Investment Credit (MCR 3-3), Commercialization Credit (MCR 3-4), Industrialization Credit (MCR 3-5)			
1 – Costing Credit (MCR 3-2), Commercialization Credit (MCR 3-4), including when covered by the Special Financing for Agricultural Product Storage (Financiamento Especial de Estocagem de Produtos Agropecuários) – FEE (MCR 3-4-11), e Indistrialization Credit (MCR 3-5), with Mandatory Resources (MCR 6-2) or when subsidized by the Federal Government in the form of interest rate equalization	**14.00%**	-	a) it applies to costing credits (MCR 3-2-6-A) when backed by Mandatory Resources (MCR 6-2) or when subsidized by the Federal Government in the form of interest rate equalization. b) As of July 1, 2026, a 0.5 (half) percentage point reduction shall be granted on the financial charges applied to each costing credit purpose for beneficiaries who have converted degraded pastureland into agriculture or integrated systems within the last five harvest years, provided that the benefit is granted for the same area where the conversion occurred[1] c) in the case of costing credit contracts for the acquisition of cattle, for properties with a degraded pasture area exceeding 75% of the total, the financing interest rate shall be increased by 1 p.p.; and for properties where this percentage is between 50% and 75%, it shall be increased by 0.5 p.p.; such increases may be avoided in the event of a simultaneous execution of an investment credit for the purpose of recovering or converting degraded pastures.[1]
2 - Investment Credit (MCR 3-3), when subsidized by the Federal Government in the form of interest rate equalization	12.50%	x% + FAM	a) a taxa de juros pós-fixada não se aplica aos financiamentos com recursos da Poupança Rural (MCR 6-4).

Beneficiary / Objective	Effective interest rate of up to (% p.a.)		Additional Conditions
	Fixed rate	Floating rate	
2 - Investment Credit (MCR 3-3), when subsidized by the Federal Government in the form of interest rate equalization	12.50%	x% + FAM	b) in the case of investment credit contracts for the acquisition of cattle, for properties with a degraded pasture area exceeding 75% of the total, the financing interest rate shall be increased by 1 p.p.; and for properties where this percentage is between 50% and 75%, it shall be increased by 0.5 p.p.; such increases may be avoided in the event of a simultaneous execution of an investment credit for the purpose of recovering or converting degraded pastures.[1]
3 - Rural Investment Credit under the conditions applicable to the Agricultural Investment Programs – InvestAgro (MCR 11), for all beneficiaries, in operations subsidized by the Federal Government in the form of interest rate equalization	current financial charges for the Agricultural Investment Programs – InvestAgro (MCR 7-7)	current financial charges for the Agricultural Investment Programs – InvestAgro (MCR 7-7)	-
4 – all objectives, in rural credit operations using non-controlled resources	-	-	a) the financial charges shall be freely negotiated between the parties; however, for financing using Rural Savings resources (MCR 6-4), the following applies: I - floating interest rate based on the same indexer as savings accounts, plus a spread; or II - fixed interest rate

[1]Refers to Proposal 6

Source: Prepared by Agroicone based on Rural Credit Manual (MCR). Accessed on 06/FEB/2026

For Section 4 of Chapter 7 (MCR 7-4), the changes in Table 1 refer to reductions in the interest rate for agricultural financing under Pronamp (MCR 8-1-1) following the conversion of degraded pastures to agriculture or integrated systems, and to increases in the investment interest rate for purchasing cattle on rural properties with degraded pastures without credit allocated for pasture recovery or conversion:

"Table 1: Financial Charges for Financing under the National Program for Supporting Medium-Sized Rural Producers – Pronamp (MCR 8)"

Beneficiary / Objective	Effective interest rate of up to (% p.a.)		Additional Conditions
	Fixed rate	Floating rate	
Costing Credit (MCR 8-1-1)			
1 – All beneficiaries of this Program	**10.00%**	-	a) the provisions of MCR 3-2-6-A apply to costing credits contracted with Mandatory Resources (MCR 6-2) or when subsidized by the Federal Government in the form of interest rate equalization. b) As of July 1, 2026, a 0.5 (half) percentage point reduction shall be granted on the financial charges applied to each costing credit purpose for beneficiaries who have converted degraded pastureland into agriculture or integrated systems within the last five harvest years, provided that the benefit is granted for the same area where the conversion occurred.[1] c) in the case of costing credit contracts for the acquisition of cattle, for properties with a degraded pasture area exceeding 75% of the total, the financing interest rate shall be increased by 1 p.p.; and for properties where this percentage is between 50% and 75%, it shall be increased by 0.5 p.p.; such increases may be avoided in the event of a simultaneous execution of an investment credit for the purpose of recovering or converting degraded pastures.[1]
Investment Credit (MCR 8-1-1)			
1 - All beneficiaries of this Program	**10.00%**	x% + FAM	a) in the case of investment credit contracts for the acquisition of cattle, for properties with a degraded pasture area exceeding 75% of the total, the financing interest rate shall be increased by 1 p.p.;

Beneficiary / Objective	Effective interest rate of up to (% p.a.)		Additional Conditions
	Fixed rate	Floating rate	
1 - All beneficiaries of this Program	10.00%	x% + FAM	and for properties where this percentage is between 50% and 75%, it shall be increased by 0.5 p.p.; such increases may be avoided in the event of a simultaneous execution of an investment credit for the purpose of recovering or converting degraded pastures.[1]

[1] Refers to Proposal 6.

Source: Prepared by Agroicone based on Rural Credit Manual (MCR). Accessed on 06/FEB/2026

In order to modify the incentives for recovering and converting degraded pastures funded by the National Program for Strengthening Family Farming (Pronaf), the following amendments are proposed via a CMN Resolution:

- Include Subparagraph "d" in Item 10 of Section 4 of Chapter 10 (MCR 10-4-10-"d"):

  d) costing operations contracted on or after July 1, 2026, shall have an interest rate reduced by 0.5 (half) percentage point below the maximum interest rate applicable to the financing, provided that the beneficiary of the costing credit has been a beneficiary of the investment credit covered by Section 14 (Pronaf Agroecologia) of this Chapter during the last five crop years.

- Include Item 13 of Section 4 of Chapter 10 (MCR 10-4-13):

  13 - Costing operations contracted on or after July 1, 2026, shall have an interest rate reduced by 0.5 (half) percentage point relative to the maximum interest rate applicable to the financing, in the event that the beneficiary of the costing credit has been a beneficiary of the investment credit addressed in Section 7 (Pronaf Floresta), Section 8 (Pronaf Semiárido), Section 14 (Pronaf Agroecologia), and Section 16 (Pronaf Bioeconomia) of this Chapter, or if the financed project results from the conversion of degraded pasture to agriculture or integrated systems within the last five crop years.

This proposal requires SICOR to automatically verify both the producers' investment contracts from the last five crop years and the area subject to financing, thereby ensuring incentives for projects that have converted degraded pastures to agriculture or integrated systems.

For Section 6 of Chapter 7 (MCR 7-6), amend Table 1 corresponding to Pronaf Costing (MCR 10-4); Pronaf Floresta (MCR 10-7); Pronaf Semiárido (MCR 10-8); Pronaf Microcrédito Produtivo Rural – Grupo "B" (Pronaf Rural Productive Microcredit – Group "B") (MCR 10-13); Pronaf Agroecologia (MCR 10-14) and Pronaf Bioeconomia (MCR 10-16); and amend Table 2 corresponding to Pronaf Microcrédito Produtivo Rural – Grupo "B" (MCR 10-13):

"Table 1: Financial Charges for Loans Under the National Program for Strengthening Family Farming (Pronaf)"

Beneficiary / Objective	Effective interest rate of up to (% p.a.)		Rebate for Timely Payment and Additional Conditions
	Fixed rate	Floating rate	
Costing Credit (MCR 10-4)			
1 - sociobiodiversity products such as abiu, blackberry, andiroba, araticum, araçá, araçá-boi, araçá-pera, pink pepper, ariá, arumbeva, extractive açaí, babassu, bacaba, bacupari, bacuri, baru, batata crem, purslane, biribá, extractive rubber, buriti, butiá, extractive cocoa, cagaita, yellow mombin, cashew, cerrado cashew, cambuci, cambui, camu-camu, Amazonian yam, spiny yam, carnauba, Brazil nut, castanha-de-cutia, castanha-de-galinha, Rio Grande cherry, chichá, chicória-de-caboclo, coquinho-azedo, copaiba, croá, cubiu, cupuaçu, yerba mate, physalis, pineapple guava, guabiroba, guaraná, grumixama, gueroba, jaborandi, jabuticaba, jaracatiá, jambu, jatobá, jenipapo, juçara, licuri, macaúba, major-gomes, mandacaru, mangaba, mapati, Mexican sour gherkin, murici, murumuru, ora-pro-nóbis, mangrove oyster, patauá, pajurá, pequi, peperomia, cerrado pear, piassava, pinhão, managed pirarucu, pitanga, peach palm, puxuri, sapote,	**2.00%**	-	

Beneficiary / Objective	Effective interest rate of up to (% p.a.)		Rebate for Timely Payment and Additional Conditions
	Fixed rate	Floating rate	
sete-capotes, sorva, taioba, taperebá, tucumã, umari, umbu, annatto, uvaia, uxi, and meliponiculture; 2 - products integrated into agroecology-based production systems or transitioning to agroecology-based systems, according to the methodology defined by the Ministry of Agrarian Development and Family Farming (MDA) ordinance; 3 - organic production systems, in accordance with Ordinance No. 52, dated March 15, 2021, issued by the Ministry of Agriculture and Livestock (Mapa);	**2.00%**	-	
4 - cultivation of rice, dry beans, cowpea, cassava, wheat, peanut, garlic, tomato, onion, yam, water yam, sweet potato, potato, pineapple, banana, cultivated açaí, cultivated cocoa, orange, tangerine, vegetables, and medicinal, aromatic, and culinary herbs; 5 - maize cultivation, provided that the total operations reach an amount of up to R$25,000.00 per borrower in each crop year; 6 - livestock operating credit for beekeeping, dairy cattle farming, egg-laying poultry farming, aquaculture and fishing, sheep and goat farming, and ecologically sustainable extractive exploitation;	**3.00%**	-	a) for collective operations, the effective interest rate shall be determined by the individual value obtained through the participation proportionality criterion. b) As of July 1, 2026, a 0.5 (half) percentage point reduction shall be granted on the financial charges applied to each costing credit purpose for beneficiaries who have contracted investment credit under Pronaf Floresta, Pronaf Semiárido, Pronaf Agroecologia, and/or Pronaf Bioeconomia within the last five harvest years, provided that the benefit is granted for the same area covered by the investment credit financing.[1] c) in the case of costing credit contracts for the acquisition of cattle, for properties with a degraded pasture area exceeding 75% of the total, the financing interest rate shall be increased by 1 p.p.; and for properties where this percentage is between 50% and 75%, it shall be increased by 0.5 p.p.; such increases may be avoided in the event of a simultaneous execution of an investment credit for the
7 - maize cultivation operations that, in aggregate, exceed the amount of R$25,000.00 per borrower in each crop year; and other crops and livestock activities not falling under the purposes set forth in items 1 to 6 and item 8;	**7.50%**	-	

Beneficiary / Objective	Effective interest rate of up to (% p.a.)		Rebate for Timely Payment and Additional Conditions
	Fixed rate	Floating rate	
8 - cultivation of soybean and cotton, and beef cattle farming, including the acquisition of animals for raising and fattening	**8.00%**	-	purpose of recovering or converting degraded pastures.[3]
Investment Credit – Pronaf Floresta (MCR 10-7)			
1 – for beneficiaries who have never contracted rural credit[2]	**3.00%**	x% + FAM	
2– for beneficiaries who present a technical project aimed at converting degraded pastures into activities related to: agroforestry systems (MCR 10-7-1-"b"-I); the restoration and maintenance of permanent preservation areas and legal reserves, and the recovery of degraded areas for compliance with environmental legislation (MCR 10-7-1-"b"-III)	**3.00%**	x% + FAM	
3 – for beneficiaries who have already contracted investment credit under Pronaf Floresta (MCR 10-7), Pronaf Semiárido (MCR 10-8), Pronaf Agroecologia (MCR 10-14), and/or Pronaf Bioeconomia (MCR 10-16) within the last five harvest years, whether to carry out improvements (when in the same area covered by the financing) or expansions (when in a different area, distinct from the previous financing) of their production systems[1]	**3.00%**	x% + FAM	a) Observe the restrictions set forth in MCR 10-1-23, in MCR 10-1-34 and in MCR 10-1-35.
4 – for the other beneficiaries and objectives of the Credit Line	**3.50%**		

Beneficiary / Objective	Effective interest rate of up to (% p.a.)		Rebate for Timely Payment and Additional Conditions
	Fixed rate	Floating rate	
Investment Credit – Pronaf Semiárido (MCR 10-8)			
1 – for beneficiaries who have never contracted rural credit[2]	**3.00%**		
2– for beneficiaries who present a technical project aimed at converting degraded pastures into activities related to: agroforestry systems (MCR 10-7-1-"b"-I); the restoration and maintenance of permanent preservation areas and legal reserves, and the recovery of degraded areas for compliance with environmental legislation (MCR 10-7-1-"b"-III)	**3.00%**	x% + FAM	
3 – for beneficiaries who have already contracted investment credit under Pronaf Floresta (MCR 10-7), Pronaf Semiárido (MCR 10-8), Pronaf Agroecologia (MCR 10-14), and/or Pronaf Bioeconomia (MCR 10-16) within the last five harvest years, whether to carry out improvements (when in the same area covered by the financing) or expansions (when in a different area, distinct from the previous financing) of their production systems[1]	**3.00%**	x% + FAM	a) Observe the restrictions set forth in **MCR 10-1-23, no MCR 10-1-34** and in **MCR 10-1-35.**
4 – for the other beneficiaries and objectives of the Credit Linectives of the Credit Line	**3.50%**	x% + FAM	
Investment Credit – Pronaf Microcrédito Produtivo Rural – Grupo "B" (MCR 10-13)			
1 - for the other beneficiaries and objectives of the Credit Line	0.5%	-	a) a 25% (twenty-five percent) rebate for timely payment on each debt installment paid by its due date;

Beneficiary / Objective	Effective interest rate of up to (% p.a.)		Rebate for Timely Payment and Additional Conditions
	Fixed rate	Floating rate	
1 - for the other beneficiaries and objectives of the Credit Line	0.5%	-	b) a 40% (forty percent) rebate for timely payment on each debt installment paid by its due date for rural properties with a very high percentage of degraded pasture relative to the total pasture area (> 75% of the total pasture area) that contract credit for the purpose of recovering or converting degraded pasture[3], provided the PNMPO methodology is adopted and only for financing destined for enterprises located in the semi-arid region within the area of operation of the Superintendency for the Development of the Northeast (Sudene) and the Superintendency for the Development of the Amazon (Sudam), and exclusively when the project involves the financing of items related to the following actions: I - production systems with water reserves; II - production systems with food reserves for animals; III - recovery and strengthening of regional food crops; IV - recovery and strengthening of livestock and small-animal farming; V - agro-industry for diversification and adding value to production; VI - irrigated agriculture; VII - agroecological or organic production systems; VIII - ecologically sustainable extractive exploitation; IX - productive backyards, as defined by Decree No. 11,642, dated August 16, 2023, and in regulations established by the Ministry of Agrarian Development and Family Farming (MDA)

Beneficiary / Objective	Effective interest rate of up to (% p.a.)		Rebate for Timely Payment and Additional Conditions
	Fixed rate	Floating rate	
Investment Credit – Pronaf Agroecologia (MCR 10-14)			
1 – for beneficiaries who have never contracted rural credit[2]	**3.00%**	x% + FAM	
2 – for the beneficiaries described in MCR 10-14-1-"a" who present a technical project aimed at converting degraded pastures into agroecology-based or organic production systems, or those transitioning to these systems, as set forth in MCR 10-14-1-"b"-I"	**3.00%**	x% + FAM	
3 – for beneficiaries who have already contracted investment credit under Pronaf Floresta (MCR 10-7), Pronaf Semiárido (MCR 10-8), Pronaf Agroecologia (MCR 10-14), and/or Pronaf Bioeconomia (MCR 10-16) within the last five harvest years, whether to carry out improvements (when in the same area covered by the financing) or expansions (when in a different area, distinct from the previous financing) of their production systems[1]	**3.00%**	x% + FAM	a) Observe the restrictions set forth in MCR 10-1-23, MCR 10-1-34, and MCR 10-1-35.
4 – for the other beneficiaries and objectives of the Credit Line	**3.50%**	x% + FAM	
Investment Credit - Pronaf Bioeconomia (MCR 10-16)			
1 – for beneficiaries who have never contracted rural credit[2]	**3.00%**	x% + FAM	
2 – for beneficiaries who have already contracted investment credit under Pronaf Floresta (MCR 10-7), Pronaf Semiárido (MCR 10-8),	**3.00%**	x% + FAM	a) Observe the restrictions set forth in MCR 10-1-23, MCR 10-1-34, and MCR 10-1-35.

Beneficiary / Objective	Effective interest rate of up to (% p.a.)		Rebate for Timely Payment and Additional Conditions
	Fixed rate	Floating rate	
Pronaf Agroecologia (MCR 10-14), and/or Pronaf Bioeconomia (MCR 10-16) within the last five harvest years, whether to carry out improvements (when in the same area covered by the financing) or expansions (when in a different area, distinct from the previous financing) of their production systems[1]	**3.00%**	x% + FAM	a) Observe the restrictions set forth in MCR 10-1-23, MCR 10-1-34, and MCR 10-1-35.
3 - for silviculture, understood as the act of establishing or maintaining homogeneous forest stands, consisting of monocultures of native or exotic species, which generate various timber and non-timber products, as described in purpose VII, point "b", Item 1 of Section 16, Chapter 10	**8.00%**	x% + FAM	
4 – for the purpose of pasture recovery, as set forth in MCR 10-16-1-"b"-XII, or for those who present a technical project aimed at converting degraded pastures into integrated systems, as set forth in MCR 10-16-"b"-XV, or into agroecology-based or organic production systems, or those transitioning to these systems, as set forth in MCR 10-14-1-"b"-I [3]	**3.00%**	x% + FAM	
5 - for all other objectives	**3.00%**	x% + FAM	a) the financing for the acquisition of tractors and associated implements, harvesters and their cutting platforms, as well as self-propelled agricultural machinery for spraying and fertilizing, when related to the enterprises and purposes of this item, shall observe the financial charges defined in item 1.

[1]Refers to Proposal 3.

[2]Refers to Proposal 11.

[3]Refers to Proposal 6.

Source: Prepared by Agroicone based on Manual de Crédito Rural. Accessed on 06/FEB/2026

"Table 2 - Credit Limits for Loans Under the National Program for Strengthening Family Farming (Pronaf), in compliance with the debt limits set forth in MCR 10-1-34"

Beneficiary / Objective	Value	Additional Conditions
Investment Credit – Pronaf Microcrédito Produtivo Rural – Grupo "B" (MCR 10-13)		
1 - beneficiaries: Family Farming Production Unit (UFPA) whose financing projects adopt the methodology of the National Oriented Productive Microcredit Program - PNMPO	R$12,000.00	a) Limits per agricultural year, subject to the following conditions for granting the rebate for timely payment: I - for a UFPA that contracted, by June 30, 2023, 4 (four) or more operations in this group, the total sum of financing eligible for the rebate—considering the aggregate of costing and investment operations—shall not exceed R$10,500.00 or, when the PNMPO methodology is applied, R$24,000.00; II - for a UFPA that contracted up to 3 (three) operations, by June 30, 2023, in this group, the total sum of financing eligible for the rebate—considering the aggregate of costing and investment operations—shall not exceed R$12,000.00 or, when the PNMPO methodology is applied, R$30,000.00; b) Once the credit limit per UFPA per crop-year is reached, the granting of new credits under this line is conditional upon the prior settlement of a previous financing, except in the case of operations extended by authorization of the National Monetary Council (CMN); c) A UFPA that has reached the credit limit eligible for the rebate may qualify for new credits in this group—under the same conditions of this credit line, except for the rebate for timely payment, which shall no longer apply—provided it proves it remains classified in Group "B" by presenting a valid National Family Farming Registry (CAF) to the financial agent, in accordance with the criteria of MCR 10-2, and subject to the provisions of point "b";
2 - beneficiaries: UFPA hose financing projects adopt the methodology of PNMPO, when they present a technical project or simplified proposal to finance: a) agroecology-based production systems, or those transitioning to agroecology-based systems, in accordance with regulations established by the Ministry of Agrarian Development and Family Farming (MDA); b) organic production systems, in accordance with regulations established by the Ministry of Agriculture and Livestock (Mapa); c) productive backyards for rural women, as defined by Decree No. 11,642, dated August 16, 2023, and in regulations established by the MDA; and d) for enterprises with a very high percentage of degraded pasture relative to the total pasture area (> 75% of the total pasture area) that contract credit for the purpose of recovering or converting degraded pasture or for integrated systems.	R$20.000,00	

Beneficiary / Objective	Value	Additional Conditions
3 – other beneficiaries: UFPA	R$4.000,00	d) A single extra limit of up to R$3,000.00 per UFPA shall be granted for the financing of the construction or renovation of sanitary facilities in the borrower's residence, with a 40% (forty percent) rebate, which shall not be calculated within the limits addressed in items I and II of point "a"; e) The UFPA must choose between financing Item 1 or Item 2 within the same agricultural year.

[1]Refers to Proposal 6.

Source: Prepared by Agroicone based on Manual de Crédito Rural. Accessed on 06/FEB/2026

For Section 7 of Chapter 7 (MCR 7-7), the changes in Table 1 refer to reducing the interest rate for beneficiaries who have already taken out investment loans under "sustainable" programs:

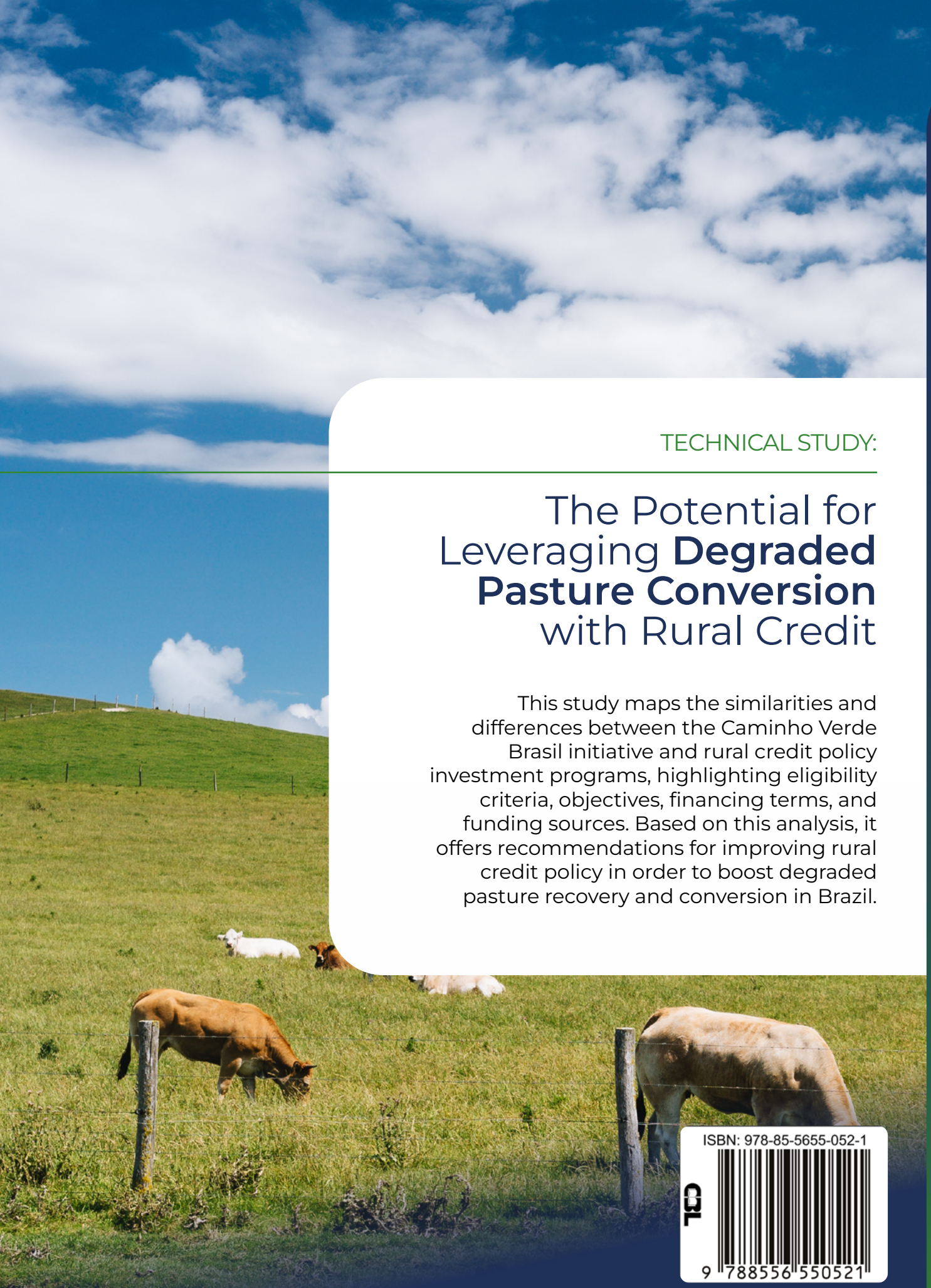
"Table 1: Financial Charges for Loans Under the Agricultural Investment Programs (Invest Agro)"

Beneficiary / Objective	Effective interest rate up to (% p.a.)		Additional Conditions
	Fixed rate	Floated rate	
Financing Program for Irrigated Agriculture and Protected Cultivation - Proirriga (MCR 11-3)			
1 – for the purpose of sustainable irrigation, as set forth in MCR 11-3-1-"a"-I [1]	**9.50%**	x% + FAM	a) As of July 1, 2026, a 0.5 (half) percentage point reduction shall be granted on the financial charges addressed in this Section for beneficiaries who have contracted investment credit under the RenovAgro (MCR 11-7), Inovagro (MCR 11-4) Soil Recovery subprogram (MCR 11-4-1-"a"-V), and Proirriga Sustainable Irrigated Farming subprogram (MCR 11-3-1-"a"-I) within the last five harvest

Beneficiary / Objective	Effective interest rate up to (% p.a.)		Additional Conditions
	Fixed rate	Floated rate	
			years, whether to carry out improvements (when in the same area covered by the financing) or expansions (when in a different area, distinct from the previous financing) of their production systems, provided they are contracted under one of the aforementioned programs and subprograms.[1]
2 – for all other objectives	**10.00%**	x% + FAM	
Incentive Program for Innovation and Technological Modernization in Agricultural Production – Inovagro (MCR 11-4)			
1 – for the purpose of soil recovery, as set forth in MCR 11-4-1-"a"-V [1]	**9.00%**	x% + FAM	a) As of July 1, 2026, a 0.5 (half) percentage point reduction shall be granted on the financial charges addressed in this Section for beneficiaries who have contracted investment credit under the RenovAgro (MCR 11-7), Inovagro (MCR 11-4) Soil Recovery subprogram (MCR 11-4-1-"a"-V), and Proirriga Sustainable Irrigated Farming subprogram (MCR 11-3-1-"a"-I) within the last five harvest years, whether to carry out improvements (when in the same area covered by the financing) or expansions (when in a different area, distinct from the previous financing) of their production systems, provided they are contracted under one of the aforementioned programs and subprograms.[1]
2 – for all other objectives	**9.50%**	x% + FAM	

[1]Refers to Proposal 3.

Source: Prepared by Agroicone based on Manual de Crédito Rural. Accessed on 06/FEB/2026



TECHNICAL STUDY:

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