



# **FINANCIAL PRODUCTS FOR AGRIBUSINESS**

# 1. INTRODUCTION

It is not new that Brazil has agribusiness as one of the main economic activities of the country. The sector is responsible for a significant portion of the Gross Domestic Product (GDP), which employs millions of people across the country, and, with the advancement of technology, new opportunities have emerged to further boost the development of agribusiness.

It is in this context that financial products aimed at agribusiness come into play.

New financial products have emerged with the aim of providing adequate solutions to the needs of producers, companies, and other stakeholders of the sector, as well as investors. The convergence between technology and the financial market opens up a range of possibilities that allow access to personalized resources and services to boost the productivity and sustainability of the sector.

Financial inclusion in agribusiness has also gained prominence in recent years. Many rural producers, especially the smaller ones, face difficulties in accessing traditional financial services. Traditional companies and producers of the sector continue to need financial products, in an increasingly sophisticated way. In this sense, Agritechs have played a fundamental role in offering financial solutions that are more accessible and adapted to the reality of the stakeholders of this industry. Through applications and digital platforms, access to credit, insurance, and other financial services becomes easier, simplified, and agile, without the need for excessive bureaucracy and guarantees.

Given this context, it is essential to understand the opportunities and challenges that arise with the integration of technology and financial services in Brazilian agribusiness.

Keeping up with trends and innovations in the sector allows stakeholders of this industry to identify and adopt technologies that can bring significant improvements to their activities, such as increased productivity, cost reduction, and more efficient management of resources.

## 2. FINANCIAL PRODUCTS FOR AGRIBUSINESS

Rural producers face unique challenges in their business operations, which is why agriculture-specific finance solutions are so important. They offer financial resources for technology investments, risk protection, opportunities for diversification, and financial inclusion.

We highlight below the main financial products available to agribusiness companies:

### Linhas de crédito

Specific lines of credit for agribusiness have proven to be essential to boost the sector and meet the needs of rural producers. Through specialized lines of credit, made available by traditional financial institutions, credit cooperatives, and fintechs specialized in agribusiness, producers have the opportunity to invest in technology and improve the productivity of their crops. These financial resources enable the acquisition of technology, investment in irrigation and automation systems, improvement of the quality of seeds and fertilizers, among others.

A financing option available to rural producers is **rural credit**, offered by the Federal Government through Banco do Brasil and other accredited financial institutions. Rural credit has the main objective of promoting agricultural production and can be used to finance activities related to production, investments in infrastructure and machinery, in addition to meeting other needs of producers. This type of credit offers special conditions, such as reduced interest rates and longer payment terms, facilitating access to the capital necessary for the development of rural activities.

In addition to the options mentioned, rural producers can also rely on other financial solutions, such as **credit cooperatives** and **government financing programs**.

Credit cooperatives are financial institutions that aim to meet the financial needs of their members, including lines of credit with more favorable conditions than those offered by traditional banks. These cooperatives can offer financial support for various purposes, helping rural producers with their specific demands.

Another alternative is government financing programs, such as the National Program for Strengthening Family Farming (Pronaf), whose main objective is to provide resources so that rural producers, especially small ones, can invest in their productive activities. These programs offer easy conditions, such as interest rates below those practiced by the market and flexible payment terms, stimulating the sustainable development of agribusiness, and contributing to the reduction of social inequalities in rural areas.

## Agricultural loans

Agricultural loans can be made available by banks, credit cooperatives, agribusiness fintechs, and other financial institutions. These loans are intended to finance production, purchase of inputs, machinery, and equipment, among other needs of the producer. Interest rates and payment terms may vary according to each financial institution.

## Agricultural insurances

Another financial solution available to rural producers is the **agricultural insurance**, which can be contracted with insurers specialized in the sector and can help the producer to minimize the financial impact in case of unforeseen events.

Agricultural insurance is essential to protect rural producers against losses arising from adverse weather phenomena, pests, diseases, and other risks. These insurances offer financial compensation in case of production losses, guaranteeing financial stability for producers. In addition, agricultural insurances also encourage the adoption of sustainable practices, as the financial protection offered by insurance encourages producers to invest in safer and more sustainable cultivation techniques.

The **Rural Insurance Premium Subsidy Program** (“PSR”) is another financial solution option for rural producers. This Federal Government program subsidizes part of the value of the agricultural insurance premium contracted by producers, which makes insurance more accessible and at a reduced cost.

## Agricultural funds

**Agricultural funds** represent a significant opportunity for investors interested in allocating their resources to agribusiness companies. These investment funds allow investors to participate in the growth of the agricultural sector, directing their resources to producers, processors, distributors, and Agritechs. Thus, agribusiness investment funds become an attractive option both for rural producers seeking to expand their operations and for investors wishing to diversify their investment portfolios.

For rural producers, agricultural funds can be a source of financial resources to boost their operations. These funds invest directly in companies in the agricultural sector, which can provide producers with access to finance for their activities. Furthermore, by investing in agricultural funds, producers can benefit from the specialized knowledge of fund managers and the networking opportunities that arise when they are part of a network of investors and agribusiness companies.

Agricultural investment funds also offer investors the opportunity to earn financial returns through the growth of the agricultural sector. By investing in these funds, investors benefit from the appreciation potential of the agribusiness companies to which the resources are allocated. In addition, agribusiness investment funds allow investors to diversify their portfolios, adding an asset class that has unique characteristics and perspectives.

### 3. TECHNOLOGY IMPLEMENTATION

Technological evolution is driving the emergence of innovations in the countryside.

With the aim of reaching and enjoying all the productive and profitable potential of this market, several technological solutions have been developed for agribusiness, such as precision agriculture, the Internet of Things (IoT), artificial intelligence and data analysis, use of drones, among others. All these technologies allow for greater control and management of agribusiness activities.

Among the technologies aimed at agribusiness, technologies aimed at financial solutions also stand out, such as digital platforms that connect rural producers, buyers, and even financial institutions.

These platforms allow for more efficient financial transactions, such as prepayment of receivables, discounts on bills, commercial development, and collaborative financing, providing agility and access to financial resources for those involved in agribusiness.

Another financial innovation in agribusiness is the “tokenization” of agricultural assets, a technology that uses blockchain to transform assets such as land, commodities, and even animals into digital tokens. These “tokens” represent fractions of the value of real assets and can be traded in an agile and transparent way. This innovative approach opens doors for investors of different sizes to access the agricultural market and participate in operations that were previously restricted to large players, promoting the democratization of investment in agribusiness.

By promoting more efficient and accessible financial transactions, these solutions contribute to increasing productivity, reducing risks, and improving profitability for rural producers. Furthermore, the “tokenization” of agricultural assets creates new investment opportunities, allowing more people to participate in the agricultural market and diversify their investment portfolios.

#### Data analysis

Data analysis plays an increasingly important role in the development of financial products in agribusiness. With technological advances, it has become possible to collect and analyze an increasing amount of agricultural data, covering information related to climate, soil, planting, harvesting, among other aspects.

This data analysis enables the creation of predictive models and algorithms that help in making more accurate and assertive financial decisions. For example, based on the information collected, it is possible to estimate the productivity of a crop, calculate the risk of losses, and define more efficient financial management strategies.

In addition, some fintechs are developing financing solutions based on the results of agricultural data analysis. This means that producers can obtain credit based on the productive potential of their crops, using information collected through sensors and drones to prove their ability to pay. This innovative approach allows producers to access financial resources more quickly and accurately, considering the analysis of data about their agricultural activities.

Data analysis in the context of agribusiness also contributes to mitigating risks and improving financial efficiency. Through detailed analysis of agricultural data, it is possible to identify patterns, trends, and key indicators that influence the profitability and financial performance of agricultural operations. This deeper understanding of the data allows producers to make informed decisions, reducing exposure to financial risks and optimizing the use of available resources.

## 4. REGULATION AND BEST PRACTICES

The financial products offered by Agritechs are subject to applicable regulations and rules. In Brazil, the financial market is supervised by the Central Bank of Brazil (“Bacen”) and the Brazilian Securities Commission (CVM), while the insurance market, including agricultural insurance, is regulated by the Superintendence of Private Insurance (“Susep”).

Companies that operate in this segment and offer financial products to agribusiness companies must comply with these rules to ensure the security and transparency of operations.

To ensure transparency and security in the operations of financial products in agritech, compliance with good market practices and general legislation is also recommended. This includes the adoption of corporate governance policies, the implementation of efficient risk management systems, compliance with personal data protection rules, compliance with applicable rules and regulations, as well as transparency in relations with investors and customers.

In addition, it is essential that there is the offer of financial products that are suited to the needs of rural producers, with fair and transparent conditions. They must also provide good technical support and customer service to ensure customer satisfaction and loyalty.

Investors interested in agritech financial products should also consider risk management and regulatory compliance. It is important to carry out a careful analysis of financial products before investing, ensuring that they comply with applicable regulations and offer fair and transparent conditions.

## 5. CONCLUSION

The Agritechs market in Brazil has been promising, driven by the relevance of agribusiness and the growing demand for efficient technological solutions in production. With a turnover of approximately BRL 1.4 billion in investments in 2020, this sector has attracted the attention of rural producers and investors in search of growth opportunities.

The Brazilian government has played a key role in promoting the Agritechs market, through initiatives such as the *Agro 4.0* program<sup>1</sup>. This initiative aims to encourage the adoption of technologies in the agricultural sector, stimulating the modernization and efficiency of agricultural activities. With this government support, the expectation is that the Agritechs market will continue to expand in the coming years.

Agritechs have proven to be strategic partners for agribusiness, offering innovative technological solutions that boost productivity and reduce production costs. These solutions, combined with specific financial products, allow producers to access resources to invest in technology and improve the efficiency of their operations.

Thus, the market for financial products in agritech represents an efficient response to the demands of current agribusiness. Through advanced technological solutions and specific financial products, both rural producers and investors can take advantage of opportunities for growth and development in the sector.

With government support and the constant search for greater productivity and sustainability, the Agritechs market will continue to play an essential role in transforming and strengthening Brazilian agribusiness.

The team of Campos Thomaz & Meirelles Advogados is prepared to assist its clients in the

# Our recognitions



Análise Advocacia (2021)



Chambers & Partners Brazil (2021 & 2022)



Leaders League (2021 & 2022)



Transactional Track Record (2021 & 2022)



The Legal 500 (2022)

## Meet our Partners



**Alan Campos Thomaz**

Partner

Technology & Digital Business, Privacy and Data Protection, Fintechs and Intellectual Property

[at@camposthomaz.com](mailto:at@camposthomaz.com)

+55 11 9 8375.2627 +1 (650) 6436652



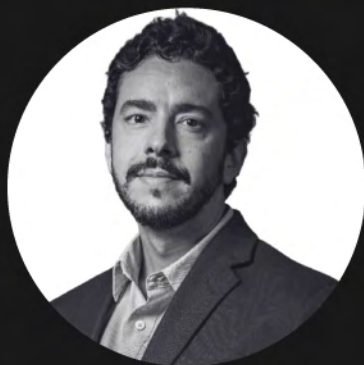
**Sérgio Meirelles**

Partner

Corporate, M&A, Venture Capital and Wealth

[sergio@camposthomaz.com](mailto:sergio@camposthomaz.com)

+55 11 9 7551.9865



**Filipe Starzynski**

Partner

Litigation & Law Enforcement, Civil, Real State, Labor and Family

[filipe@camposthomaz.com](mailto:filipe@camposthomaz.com)

+55 11 9 7151.9639



**Juliana Sene Ikeda**

Partner

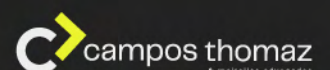
Intellectual Property, Technology, Agreement and Life Sciences

[juliana@camposthomaz.com](mailto:juliana@camposthomaz.com)

+55 11 9 8644.1613



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