



# Analysis of the ABC Program Resources

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ABC Plan Observatory - Regional Overview

EXECUTIVE SUMMARY - Report 2 - Year 2

**Project**

ABC Observatory

**Support**

Climate and Land Use Alliance (CLUA)

**Organization responsible for the project**

Fundação Getulio Vargas (FGV)

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## Introduction

This is the executive summary of the second of four reports that compose, among others, the activities of the second working year of the ABC Plan Observatory<sup>1</sup>. It aims to quantitatively and qualitatively analyze the ABC Program's performance – the main line of credit for the financing of low-carbon agriculture in Brazil. In addition to presenting high points of the results of the 2013/14 crop year, it also reveals a regional and state overview of the distribution of resources and a focus on the Legal Amazon situation regarding the adoption of low carbon agriculture methods in the region. The main theme for the analysis is the spatial distribution of the ABC Program's credit in the country and the reasons, bottlenecks and opportunities for the expansion of more sustainable production methods, especially regarding the conditions of Brazilian technical support and its activities among rural producers.

The ABC Observatory wants to engage different sectors of Brazilian society in the transition to low carbon agriculture by monitoring the ABC Program and Plan's actions and also developing technical studies to support and facilitate discussion with stakeholders. In turn, the ABC Plan provides for the development of the agriculture sector based on low carbon emissions in the atmosphere, pointing out productive and technological alternatives for Brazilian rural producers. It represents one of the nine sectoral plans with guidelines for Brazil to meet its voluntary commitment to greenhouse gas (GHG) mitigation. The ABC Program, object of analysis in this report, is the line of credit associated with the ABC Plan that offers best conditions for financing to producers who want to incorporate low carbon production technologies in their property.

The data used for the analysis of the 2013/14 crop year is provided by Banco Central (Central Bank), with which the ABC Observatory formed a partnership sharing the database of the Sistema de Operações do Crédito Rural e do Proagro - Proagro and Rural Credit Operation System) - (SICOR), that aggregates rural credit operations in Brazil. Thus, the project counts on a centralized data collection process, assuring data consistency and contributing to better governance of the ABC Program.

Divergences in values presented in this analysis, for the 2011/12 and 2012/13 crop years, compared to previous reports are due to distinct data sources. Originally, the ABC Observatory aggregated data from different sources, such as BNDES, Banco do Brasil and the Ministry of Agriculture, Livestock and Food Supply (MAPA). From the 2013/14 crop year, it began working only with the database from SICOR. It is noteworthy that, as this base does not include information regarding operation investment purposes (pasture recovery, biological nitrogen fixation (BNF), waste treatment, integrated crop-livestock and crop-livestock-forestry systems, no-till farming system, afforestation and ABC Environment) the analysis of the disaggregated disbursements for these purposes was performed only for the contracts disbursed via BNDES,

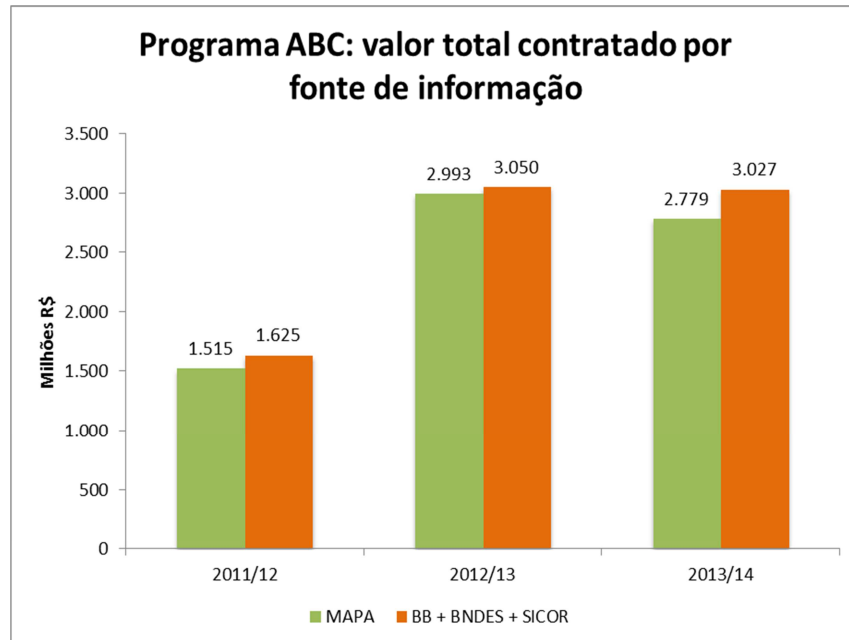
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<sup>1</sup> The complete report is available at [www.observatorioabc.com.br](http://www.observatorioabc.com.br).

that are also granted to the Observatory monthly by a partnership agreement signed with the bank.<sup>2</sup>

Thus, in Figure 1, the difference in the results of the data presented in previous ABC Observatory reports is noticeable. These reports use information disclosed by MAPA and the result of the consolidated basis, that provide for the ABC System<sup>3</sup> and also for this report. We will follow the analyses of this report with the numbers referring to the orange columns of the graph (BB, BNDES and SICOR).<sup>4</sup>

Figure 1. Total value contracted by the ABC Program by source of data



Source: BB, BNDES, SICOR

Following, the main results of the 2011/12 and 2012/13 crop years are presented and the performance of the line of credit for the 2013/14 crop year is highlighted. Subsequently, we analyze the ABC Program since its inception until the 2013/14 crop year, with a regional and state approach. Then we present the Legal Amazon situation in relation to the expansion of the ABC Program, as it is a region with high number of cattle and agricultural frontier, with great extensions of degraded pastures. Lastly, we present closing remarks on the current results of the ABC Program.

<sup>2</sup> The ABC Observatory is grateful to BACEN and BNDES for the supply of the necessary data for the elaboration of this report.

<sup>3</sup> Available at [www.observatorioabc.com.br](http://www.observatorioabc.com.br).

<sup>4</sup> Data from MAPA is not disaggregated by location (disbursements and number of contracts per municipality) as the data from financial agents, therefore, state and regional analysis is not possible.

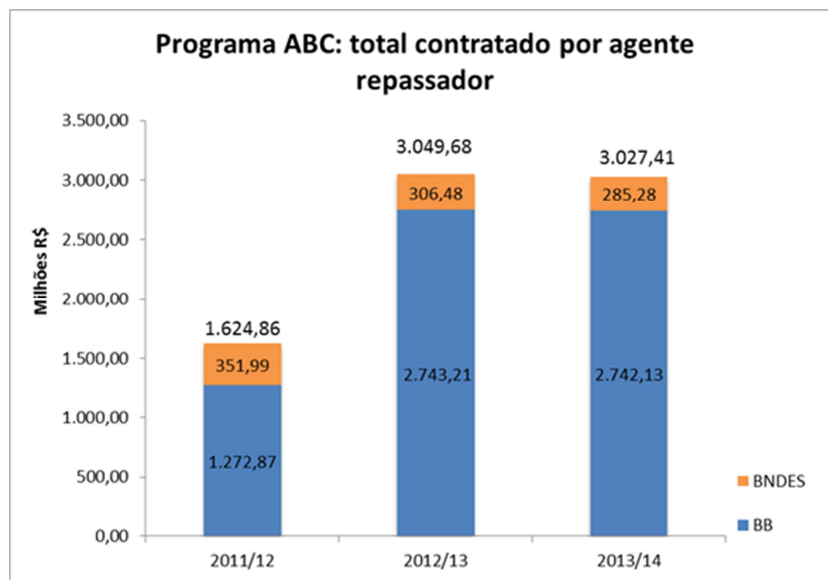
## 1 Main conclusions

- There have been advancements in the management of the ABC Program's contracting data. The ABC Observatory and Banco Central – Central Bank formed a partnership for the supply of ABC Program operation data registered at SICOR. However, there is no discrimination of investment purposes in this base.
- The execution rate of the ABC Program for the 2013/14 crop year was of only 67%. The total of contracted operations resulted in a sum of BRL 3.027 billion, with 12,103 contracts signed, of which BRL 2.742 billion were disbursed via BB and BRL 285 million via BNDES. Banco do Brasil continues being the main actor in the distribution of funds, reaching 90.45% in participation of total contracts (Poupança Rural e Fundo Constitucional de Financiamento do Centro-Oeste - Rural Savings and Constitutional Funds for Financing of the Midwest – FCO) BNDES had only 9.45% of total participation in the 2013/14 crop year - Bradesco was the main transfer agent via BNDES, with BRL 152.4 million.
- For the first time, the Midwest region surpassed the Southeastern region and the North region surpassed the South region in acquiring funds from the ABC Program. However, the Midwest and Southeast regions are still leaders in contracts; the states of Minas Gerais, São Paulo, Goiás, Mato Grosso do Sul and Mato Grosso hold top positions in the ranking, in descending order. One of the reasons of that success is that the two regions possess a vast technical support network.
- The North and the Northeast increased ABC Program contracting, which is a reflection of actions from the government and from financial and private sectors directed towards the qualification and dissemination of the ABC Program and Plan among rural producers, as well as the result of the establishment of State Management Groups that allowed MAPA to have better approach in these regions. The qualification of the financial agents in the techniques and requirements recommended by the ABC Program and the ongoing land regulation process with the establishment of the Rural Environmental Registry also contributed to the higher number of contracts in these regions.
- The Legal Amazon also increased its numbers of contracting of the Program's operations. In the 2011/12 crop year, 576 contracts were signed, totaling BRL 304 million; in the 2012/13 crop year, the total disbursed was BRL 621 million, in 2,079 contracts; and, in the 2013/14 crop year, the total value of disbursements was BRL 642 million, with 2,658 contracts. Comparing the 2011/12 crop year to the 2013/14 crop year, there was a 405% increase in the number of ABC Program contracts in the Legal Amazon region, and a 110% increase in total amount of contracting. Amazonas, however, has signed only one contract since the beginning of the line of credit.
- While the governance of contracted resources advances, monitoring of mitigated emissions through the undertaken techniques does not progress. The Multi-Institutional Virtual Laboratory on Climate Change and Agriculture, an institution in charge of analyzing carbon that will inform if the ABC mitigation goals are being met, is still not operating.

## 2 Highlights of the 2013/14 crop year

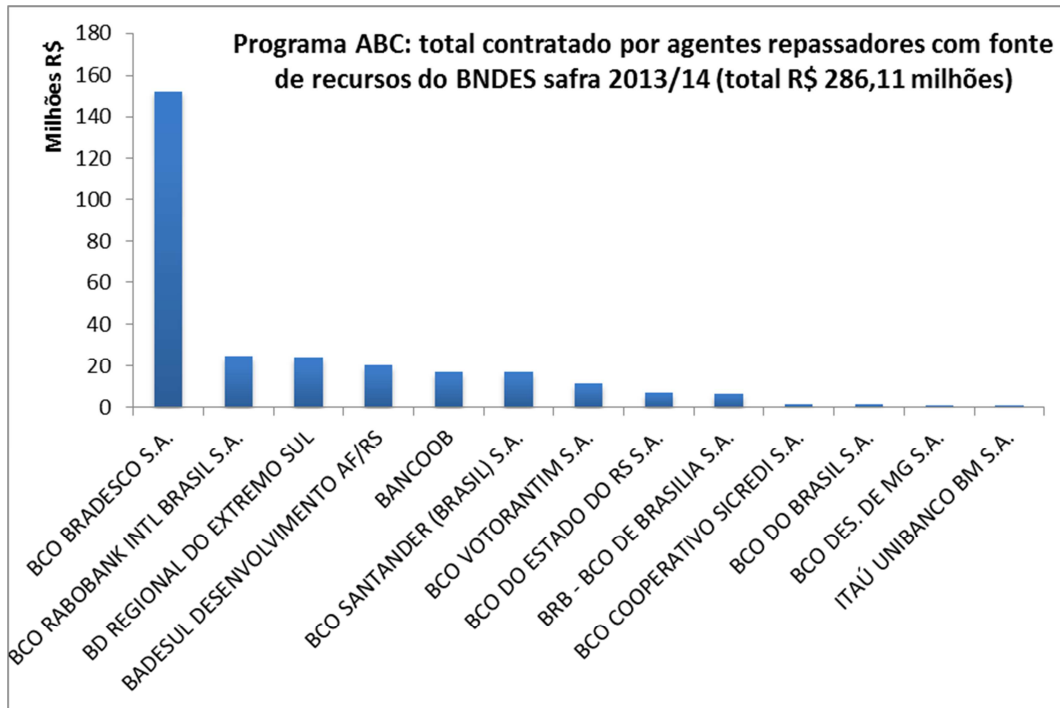
For the 2013/14 crop year, BRL 4.5 billion were provided for investments in low carbon production technologies in crops, via ABC Program's investment line of credit. The credit for this crop was funded at 5% pa for rural producers with annual gross income above of BRL 1.6 million and 4.5% pa for rural producers with annual gross income of up to BRL 1.6 million, and repayment period of up to fifteen years. The total of contracted operations during this crop year resulted in a sum of BRL 3.027 billion, of which BRL 2.742 billion were disbursed via BB and BRL 285 million via BNDES. (Figure 2) Compared to previous crops, Banco do Brasil continues leading in distribution of funds. Regarding the number of operations, there were 12,103 contracts signed in the 2013/2014 crop year, of which 11,231 were via BB and 872 via BNDES. From the BNDES contracts, Bradesco contributed as a transfer agent (Figure 3) with BRL 152.4 million.

Figure. Total value of ABC Program contracts for the 2011/12, 2012/13 and 2013/14 crop years



Source: BB, BNDES, SICOR

Figure 3. Value of contracted operations via BNDES for the 2013/14 crop year



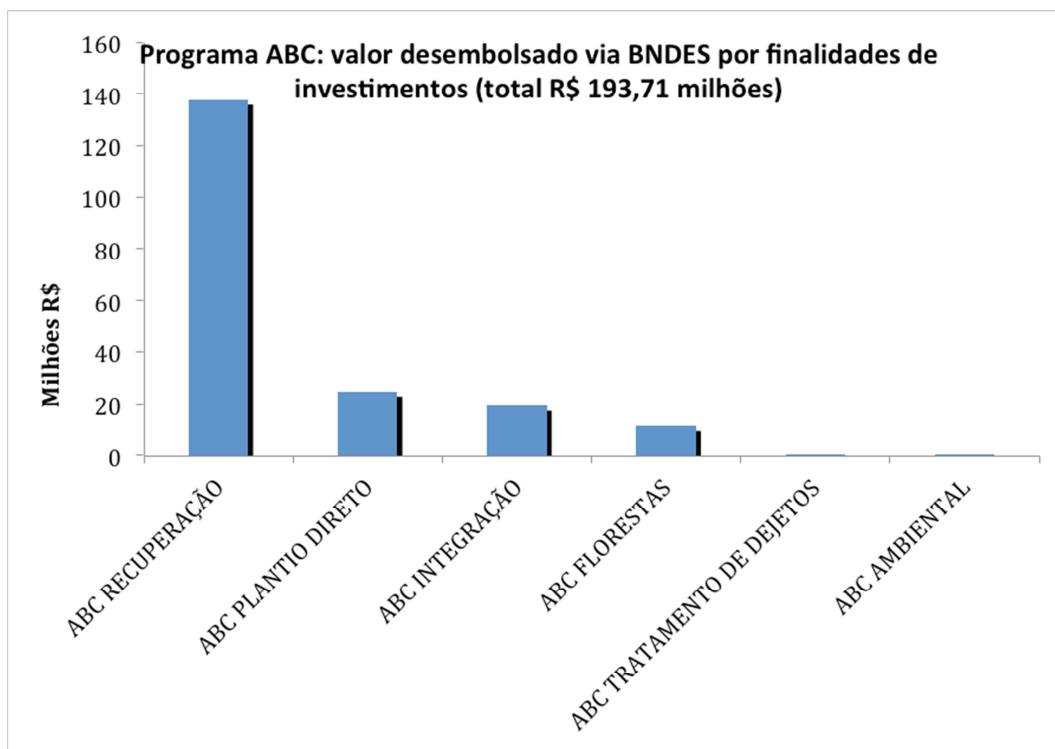
Total contracted by transfer agents with source of funds from BNDES 2012/13 crop year (total BRL 286.11 million) - Source: SICOR

Regarding the source of funds used for ABC Program allocations, there has been noticeable participation of Poupança Rural - Rural Savings in total disbursements, accounting for 80% of disbursements. Undoubtedly, this is due to the participation of Banco do Brasil in the result of the line and, when added to FCO – which is also under the bank's management – its participation rises to 90.45% of total disbursements. BNDES held 9.45% of total ABC Program disbursements in the 2013/14 crop year.

71% of disbursements via BNDES were allocated to pasture recovery, which is coherent with the need for the recovery of more than 50 million hectares of degraded pastures in the country. The ABC Environment and the ABC Waste Treatment lines (Figure 4) received fewer disbursements. Additionally, in the 2013/14 crop year, there were no ABC Program operations carried out via BNDES for biological nitrogen fixation (BNF), which is a recommended method in the ABC Plan that aims to reduce the use of nitrogen fertilizer, and eventually, N<sub>2</sub>O emissions (that have a warming potential 296 times greater than CO<sub>2</sub>).<sup>5</sup>

<sup>5</sup> There is no data for disaggregated analysis by investment purposes for total number of operations, as SICOR does not provide this information at its base. Thus, the data is provided by BNDES and it corresponds only to its operations.

Figure 4. Value of contracted operations via BNDES for the 2013/14 crop year for investment purposes.<sup>6</sup>



ABC Recovery – ABC No-Till – ABC Integration – ABC Forests – ABC Waste treatment - ABC Environment

Source: BNDES

### 3 Regional analysis of the ABC Program

Except for the South and Southeastern regions, all the other regions of the country presented an increase of disbursements for the ABC Program in the 2011/12, 2012/13 and 2013/14 crop years. There was a greater decrease in the South region (Figure 5).

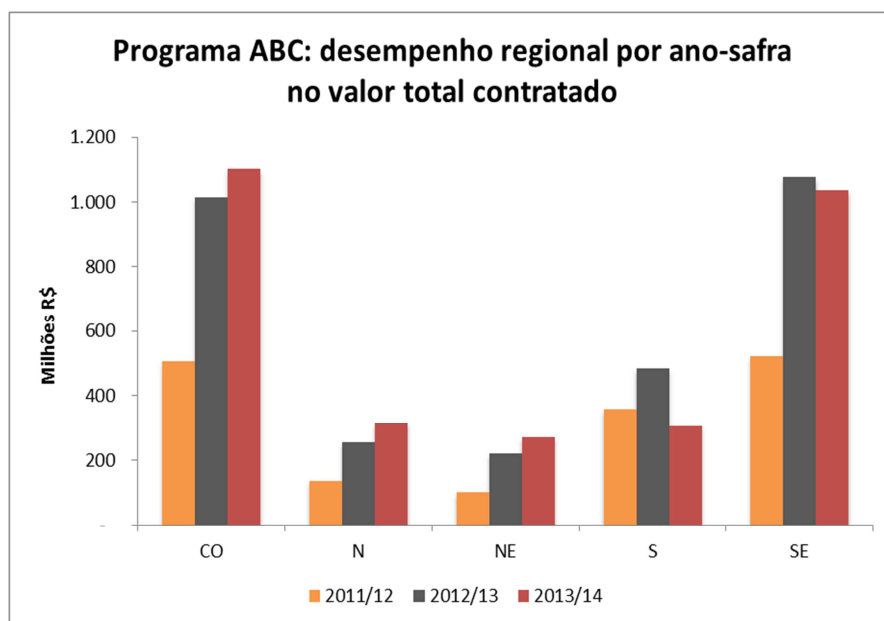
In the 2013/14 crop year, the regional ranking of disbursements for the ABC Program presented changes in relation to previous crops. For the first time, the Midwest region surpassed the Southeastern region and the North region surpassed the South region in financings from the ABC Program. Despite the increased participation of the Midwest region in the 2013/14 crop year, their percentage share in the total of ABC Program disbursements in previous crops remained close to the percentages of the Southeast region, ranging from 33.3% in the 2011/12 crop year, to 36.4% in the 2013/14 crop year (Figure 6). Thus, the two regions led in contracting funds. One of the reasons of that success is that the two regions possess a vast technical support network.

<sup>6</sup> The difference between total disbursements via BNDES presented in figures 4 and 5 is the result of data analysis from different sources and/or closing date of the period.

The South region has been decreasing contracting of funds for the ABC Program - its participation has gone from 22%, in the 2011/12 crop year, to 15,9%, in the 2012/13 crop year, and to 10,1%, in the 2013/14 crop year. The North and Northeast regions have presented a gradual increase throughout the crop years. The North region went from 8,4% of participation of the total in 2011/2012 and 8,3% for the 2012/13 crop year, to 10,4%, in the 2013/14 crop year. The Northeast region presented 6.2% and 7.2% of participation in disbursements in the 2011/12 and 2012/13 crop years, respectively, and 8.9%, in the 2013/14 crop year (Figure 6).

The increase of disbursements in the North and the Northeast regions may be a reflection of actions from the government and from financial and private sectors directed mainly towards the qualification of the ABC Program and Plan in the states by means of the Financing Guide to Low Carbon Agriculture launched by The Brazilian Confederation of Agriculture and Livestock (CNA)<sup>7</sup>; the dissemination of the ABC Program and Plan among rural producers by establishing State Management Groups that allowed MAPA to have better approach in these regions; the qualification of the financial agents in the techniques and requirements recommended by the ABC Program, according to BB; and the ongoing land regulation process with the establishment of the Rural Environmental Registry, among others.

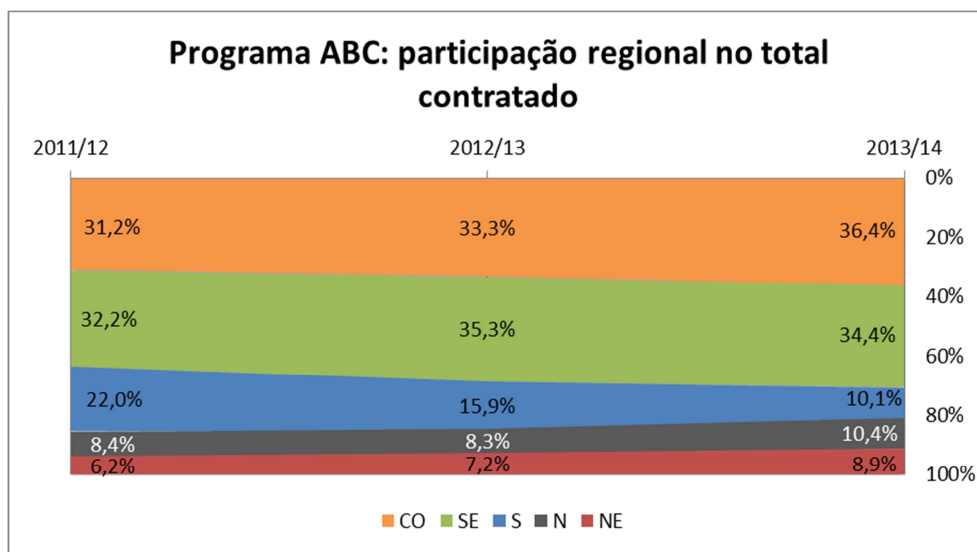
Figure 5. Total value of ABC Program contracts in the Midwest (CO), North (N), Northeast (NE), South (S) and Southeast (SE) for the 2011/1, 2012/13 and 2013/14 crop years



Source: BB, BNDES, SICOR

<sup>7</sup> The Financing Guide to Low Carbon Agriculture is the result of the ABC Qualification Project by means of a partnership between the federal government, The Brazilian Confederation of Agriculture and Livestock (CNA) and the British Embassy. The ABC Qualification Project aims to offer trainings for rural producers, agricultural technicians and professionals that are responsible for the development of production projects for the ABC Program.

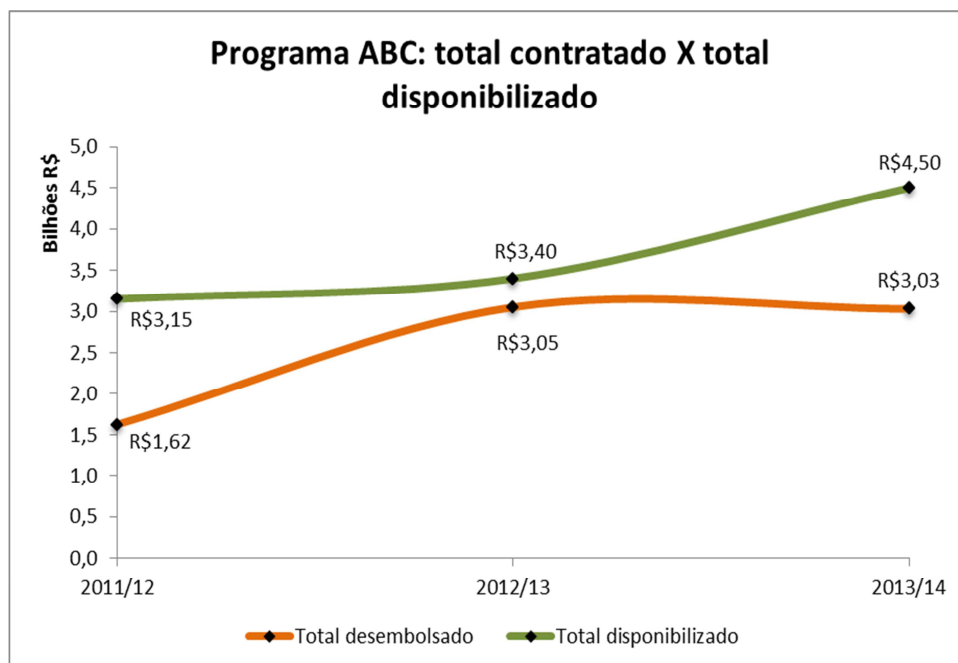
Figure 6. Regional participation in total value of ABC Program contracts for the 2011/1, 2012/13 and 2013/14 crop years



Source: BB, BNDES, SICOR

However, when comparing the total contract value of the regions *vis-à-vis* the amount allocated by the federal government, via Agriculture and Livestock Plan (Plano Agrícola Pecuário (PAP)), it is notable that, in none of the analyzed crop years has the ABC Program reached the expectation of contracting available resources (Figure 7), even considering the recent decrease in interest rates of the line and the advances in the financial and productive sector in the qualification and dissemination of the agriculture methods for the ABC Program.

Figure 7. Contracted value *versus* available value for the ABC Program in the 2011/2012 and 2013/14 crop years. (in BRL billion)



Sources: BB, BNDES and SICOR

It is important to point out that in the 2010/11 crop year, which was the year of the inception of the ABC Program, the contracted value was of BRL 418.5 million (of the BRL 2 billion available<sup>8</sup>). Adding that to the total contracted value in the following crop years, 2011/12 up to 2013/14, the total of resources allocated to the ABC Program since its inception until the end of the 2013/14 crop year was of BRL 8.120 billion. Thus, the accumulated total of contracted value by the ABC Program since its inception until the end of the 2013/14 crop year represents 62% of the total amount provided for the Program in the same period (BRL 13.050 billion). Therefore, there is growth potential for the ABC Program in the country and for the advance of the transversal actions recommended by the ABC Plan, especially technical support. It is recommended that the supply of rural credit be linked to good quality technical support, as there is enough recourse available for that. This way, we can achieve the main and ultimate goal of the ABC Program and Plan: mitigation of GHG.

The growing number of operations and the amount disbursed during that period (2010/11 to 2013/14 crop years) could be due, above all, to the establishment of the State Management Groups in all Brazilian states, as disclosed by MAPA, which may have caused the execution of the following cross-cutting actions in the Plan ABC: i) expansion of qualification of rural producers, extension and financial agents; and ii) engagement of actors, particularly producer associations.

Other ongoing actions that may have a positive impact on disbursements and on the number of ABC program contracts across the country are: i) formalization of the environmental and land regulation process of rural properties with the implementation of CAR; and ii) the inception and formalization of the same methods recommended by the ABC Program in the Constitutional Funds.

It is important to point out, however, that the processes highlighted as possibly responsible for the increase of ABC Program disbursements are still commencing and need to expand, as the accumulated total of contracted value by the ABC Program since its inception until the end of the 2013/14 crop year represented only 62% of the total provided amount in the same period.

In this context, the strengthening of technical support and rural extension, over all with the establishment of the National Agency of Technical Assistance and Rural Extension (Anater), regulated by the Presidential decree in May 2014, will contribute, significantly, to the expansion process of ABC Program disbursements all over the country. Additionally, information gathered by the Agricultural Census by IBGE of 2006 on the performance of technical support in Brazil reinforces its importance in the expansion of the ABC Program, as it also assists in the understanding of the distributive dynamics of ABC Program disbursements in Brazil.<sup>9</sup>

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<sup>8</sup> For the 2010/11 crop year, disaggregated data of Brazilian states were not provided by the financial agents and MAPA.

<sup>9</sup> Decree nº 8,252, of May 26, 2014.

According to data from IBGE (IBGE, 2006), technical guidance continues to be very limited, as it is carried out in 22% of farms, which, however, occupy 46% of lands. The average area of the assisted group is of 228 hectares, while the non-assisted group covers an area of 42 hectares, indicating the concentration of technical support in farms with greater average areas, as well as the low access of small-scale producers to this service. Less technical support among small-scale producers leads to low technological knowledge for the implementation of the ABC Program methods, reflecting on disbursements.

In addition, it is clear that segmentation of technical support occurs based on its origin and the size of the assisted farms. Technical guidance originating from the government reaches 43% of the assisted farms and is more focused on smaller farms, with average area of 64 hectares. Farms that have private technical guidance or guidance from producers themselves (when they are qualified professionals) have an average area of 435 hectares. Private planning companies assist farms with a greater average area (506 hectares).

Analyzing the spatial distribution of the percentage of the number of producers who reported having received technical guidance in relation to all producers, it is notable that in most of the North and Northeast, the percentage did not exceed 10%, in contrast to many states of Mid-South Brazil that presented more than 50% of rural producers with some kind of technical guidance.

It is important to point out that, despite the lack of technical support more drastically impacting small-scale producers especially in the North and the Northeast, this limitation also includes medium-scale producers, the main target of the ABC program<sup>10</sup>, as there is a great lack of technical support in the Midwest, especially in the state of Mato Grosso<sup>11</sup> (IBGE, 2006). Additionally, considering the percentage of only 22% of the farms with some type of technical support, it also presumable that, in the other regions of the country, medium-scale producers are, in the same way, hindered.

#### **4 State analysis of the ABC Program for the 2013/14 crop year**

Analyzing the space distribution of ABC Program resources in the 2013/14 crop year, it is notable that the states of Minas Gerais, São Paulo, Goiás, Mato Grosso do Sul and Mato Grosso<sup>12</sup> hold top positions in the ranking in qualification, in descending order, with amounts that vary from approximately BRL 550 million to BRL 250 million (Figure 8). The states of Bahia, Tocantins, Paraná, Rio Grande do Sul and Pará, also in descending order, present amounts varying from BRL 200 million to BRL 100 million. As reported earlier, the South decreased the amount received for the ABC program compared to the 2012/13 crop year, which led to a fall in positions of the states of this region. The states of Maranhão, Espírito Santo, Rondônia, Santa Catarina, Piauí, Acre and Rio de Janeiro, in this order, received between BRL 50 million and BRL 10 million. The states of Roraima, Pernambuco, Amapá and Rio Grande do Norte

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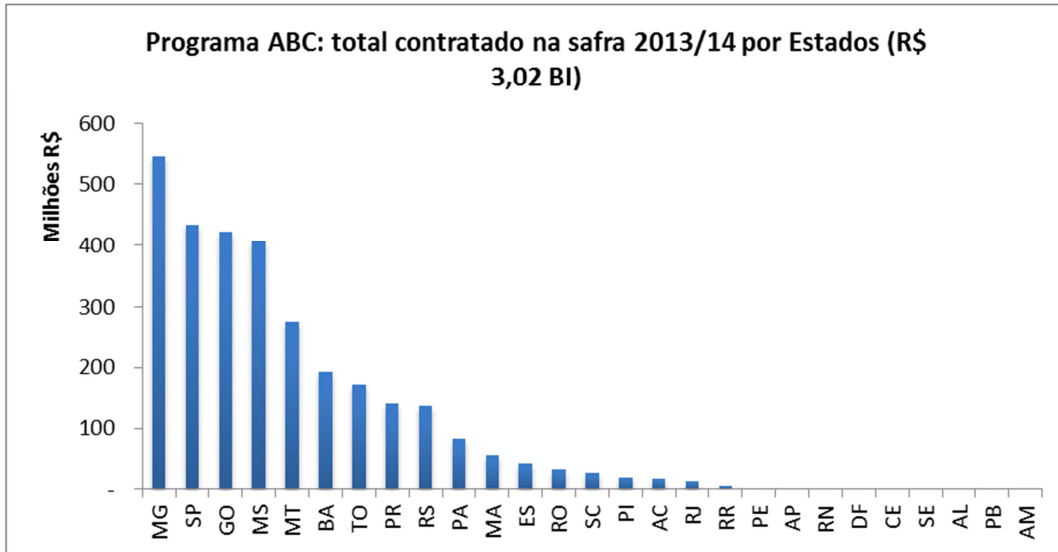
<sup>10</sup> The average ticket of contract values of the ABC Program is BRL 263,723.25.

<sup>11</sup> In the Midwest, the average area of farms is 331.82 hectares (IBGE/Sidra, 2014).

<sup>12</sup> In the 2011/12 and 2012/13 crop years, the states of MG, SP, GO, TM and MS appear among the six first states with greater acquisition of ABC Program financings.

presented acquisitions between BRL 5 million and BRL 1 million, approximately. And, finally, with funds varying from BRL 350 thousand to BRL 50 thousand, follow the states of Ceará, Sergipe, and Distrito Federal (Federal District) in decreasing order.

Figure 8. Participation of each state in total ABC Program disbursements in the 2013/14 crop year



Source: BACEN

It is important to note that the state of Minas Gerais is the federative unit that most contracted ABC Program financings. It had strong approach from the State Management Group for direct and cross-cutting actions related to rural producers and technical support, bringing broader knowledge of the methods and their benefits (increase in productivity, greater competitiveness and financial return) to the professionals involved in the agriculture sector in the state. A similar situation is observed in the state of São Paulo, that has maintained second position during the whole period. Moreover, in the state of Minas Gerais, synergic research is being carried out on issues concerning the state ABC Plan and the State Policies of Climate Change of Minas Gerais that stimulate rural producers to adopt the ABC Program.

In the states of the Midwest, good results of the ABC Program are mainly due to the high amount of cattle in the region compared to other regions of the country<sup>13</sup>, in addition to the need of recovery of its degraded pastures. Actions from technical support have also contributed to these results.

For the states of the North and Northeast regions, the financing of low carbon agriculture increased, mainly, because of the expansion of the agricultural frontier in a region called Mapitoba that covers part of the states of Maranhão, Piauí, Tocantins and Bahia. In the last years, it has not only been a prominent producer of grains in the country, but also an important facilitator of rural space and economy of the region, especially for its internalization

<sup>13</sup> Brazil holds the second largest cattle herd in the world, with more than 200 million heads. Most of these animals are concentrated in the Midwest region, representing 34.4% of the national total (IBGE, 2009).

of the urban process due to its agribusiness growth (IBGE, 2006). The states of Pará and Rondônia stood out for their need of recovery of degraded pastures. Currently, these pastures cover the midland area of Pará; with São Félix do Xingu holding one of the largest herds in the country. We also point out the new standards of “domain and predominance” of pastures and forests formed in Rondônia, that motivate complex environmental conflicts (IBGE, 2006).

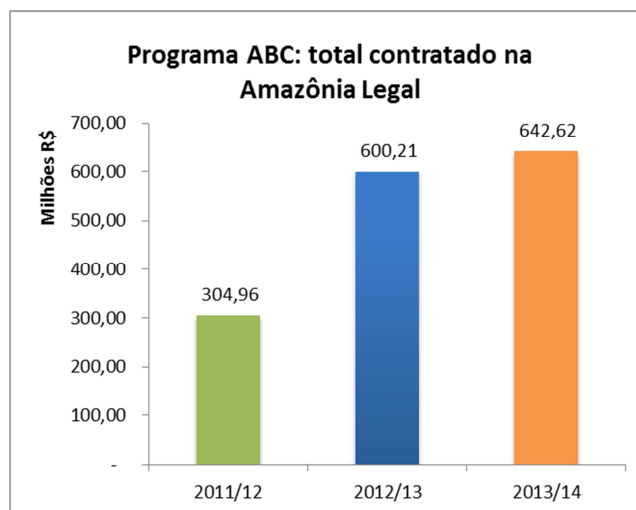
## **5 Evolution of the ABC Program in the Legal Amazon<sup>14</sup>**

ABC Program disbursements for the Legal Amazon increased substantially from the 2011/12 crop year to the 2013/14 crop year. In the 2011/12 crop year, 576 contracts were signed, totaling BRL 304 million; in the 2012/13 crop year, the total disbursed was BRL 621 million, in 2,079 contracts; and, in the 2013/14 crop year, the total value of disbursements was BRL 642 million, in 2,658 contracts (Figure 9). Comparing the 2011/12 crop year to the 2013/14 crop year, there was a 405% increase in the number of ABC Program contract in the Legal Amazon region, and 110% in total amount of contracting.

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<sup>14</sup> The Legal Amazon is formed by the states of Acre, Amapá, Amazonas, Pará, Rondônia, Roraima, Tocantins, Mato Grosso and part of Maranhão. Its total area is 5,217,423 km<sup>2</sup> (about 61% of Brazilian territory).

Figure 8. Total value of ABC Program contracts for the 2011/12, 2012/13 and 2013/14 crop years in the Legal Amazon.



Source: BB, BNDES and SICOR

The states of the Legal Amazon that most received disbursements in the three analyzed crop years were Mato Grosso, Tocantins and Pará, in descendent order. However, in the 2012/13 and 2013/14 crop years, Tocantins presented greater number of contracts in relation to Mato Grosso (Table 1, Table 2 and Table 3). On the other hand, the states with lower contracted values and number of contracts were Amazonas, Amapá and Roraima, in this order, in the three analyzed crop years. Nevertheless, Amapá and Roraima presented a considerable increase in disbursements between the 2011/12 and the 2013/14 crop year. Amazonas received funds only in the 2011/12 crop year, totaling BRL 867,996.00 in one contract, but it did not receive any financing for investment purposes of the ABC Program in the 2012/13 and 2013/14 crop years.

Table 1. Number of contracts and contracted value of the ABC Program for the 2011/12, 2012/13 and 2013/14 crop years in the Legal Amazon.

Legal Amazon	Total contracted value	Number of contracts
<b>MT</b>	156,102,529	244
<b>TO</b>	68,870,396	173
<b>PA</b>	41,999,939	78
<b>RO</b>	19,829,170	37
<b>MA</b>	12,660,273	34
<b>AC</b>	2,733,863	4
<b>RR</b>	1,851,503	4

<b>AM</b>	867,996	1
<b>AP</b>	39,830	1
<b>Total</b>	<b>304,955,502</b>	<b>576</b>

Source: BB and BNDES

Table 2. Number of contracts and contracted value of the ABC Program for the 2012/13 crop year in the Legal Amazon.

<b>Legal Amazon</b>	<b>Total contracted value</b>	<b>Number of contracts</b>
<b>MT</b>	320,222,672	672
<b>TO</b>	130,969,411	672
<b>PA</b>	62,946,432	242
<b>RO</b>	35,287,827	164
<b>MA</b>	27,068,607	184
<b>AC</b>	17,071,117	120
<b>RR</b>	5,097,769	19
<b>AP</b>	1,542,161	6
<b>Total</b>	<b>600,205,995</b>	<b>2,079</b>

Source: BB, BNDES and SICOR

Table 3. Number of contracts and contracted value of the ABC Program for the 2013/14 crop year in states of the Legal Amazon.

<b>Legal Amazon</b>	<b>Total contracted value</b>	<b>Number of contracts</b>
<b>MT</b>	273,595,038	687
<b>TO</b>	172,349,112	874
<b>PA</b>	82,825,640	373
<b>MA</b>	55,252,797	315
<b>RO</b>	34,083,976	198
<b>AC</b>	18,428,814	181
<b>RR</b>	4,564,899	21
<b>AP</b>	1,519,423	9
<b>Total</b>	<b>642,619,699</b>	<b>2,658</b>

Source: SICOR

Despite less disbursements for ABC Program agriculture practices compared to other regions of the country, the tables above show substantial advancement of the ABC Program in the Legal Amazon, which meets the region's needs for pasture recovery and for the Zero Illegal Deforestation.

Pará stands out, mainly for its high number of cattle<sup>15</sup>, in addition to excessive degraded pasture area, reaching 25% of the degraded pasture area of the Legal Amazon. On the other hand, it is in third position in the ranking of the Legal Amazon from the 2011/12 to the 2013/14 crop year regarding disbursements and number of contracts for the ABC Program. One of the reasons why PA remains among the three states that most receive ABC Program funds is the implementation of the State Management Group in the 2011/12 crop year, being the first state in the North region to join the ABC Program and to incorporate the cross-cutting actions of the federal ABC Plan, as training, technical support and public rural extension, land regulation, research, development and innovation, as well as the engagement of many professionals in the agricultural sector.

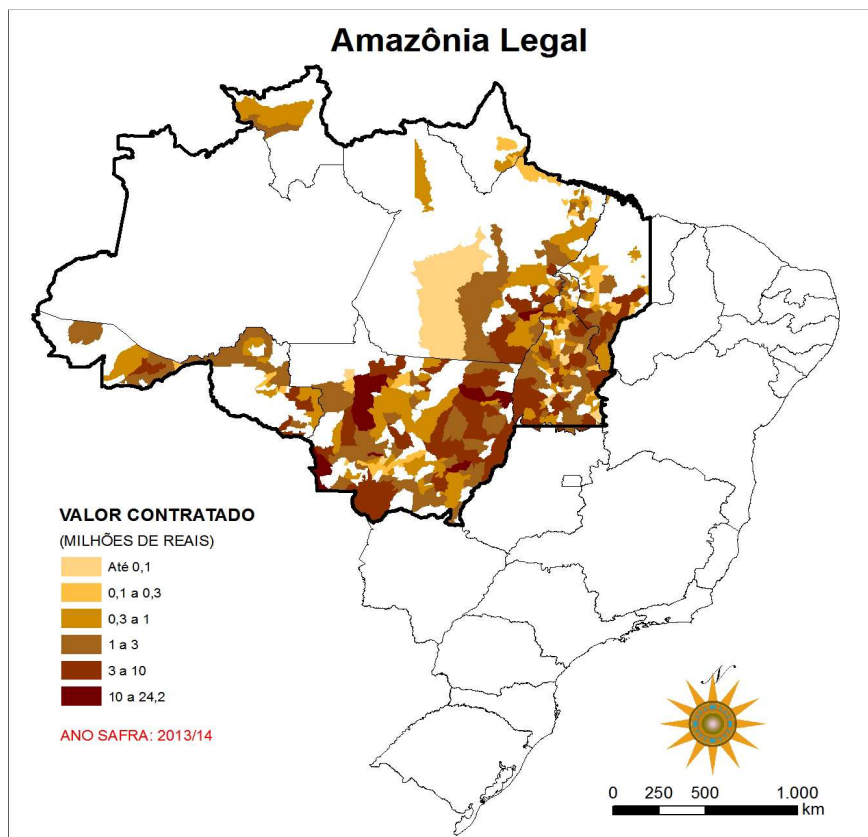
### **5.1 Space analysis of disbursements in the Legal Amazon for the 2013/14 crop year.**

There was a high concentration of disbursements in some municipalities of the states of Mato Grosso, Tocantins, Pará and the South of Maranhão, where the sum of the contracts resulted in values that varied from BRL 10 million to BRL 24.2 million in the 2013/14 crop year (Figure 10). Additionally, there was significant progress of the ABC Program in municipalities in central Pará, where pasture recovery is priority. However, none of the municipalities of Amazonas received any of the ABC Program funds and there was also low adhesion to the ABC Program in the states of Amapá and Roraima. The main reasons for this scenario continue to be the same as pointed out in previous reports - problems related to land and environmental regulations and to different degrees of technical support and rural extension activities in the Legal Amazon as well as the great distances between municipalities and farms that become quite an obstacle for rural extension in the region.

Figure 10. Value of ABC Program contracts in the Legal Amazon for the 2013/14 crop year. (in BRL millions)

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<sup>15</sup> According to IBGE, Mato Grosso leads the ranking in number of cattle in Amazônia, with 29 million heads of cattle; Pará is in second position, with more than 18 million heads of cattle, followed by Tocantins, with approximately 8 million.



Source: SICOR

For there to be progress in ABC Program disbursements in the region, some actions are recommended, such as: i) Qualify rural technical support and financial agents in the ABC Program and Plan's recommended practices; ii) motivate rural technical support, increasing their compensation percentage in financed projects; iii) expand the dissemination of the ABC Program and Plan among rural producers to allow a paradigm shift to take place in agriculture, strengthening a production model that is aligned to public policies aimed at the sustainable development of the country; iv) reinforce the need for greater participation of the main actors involved in the ABC Program and Plan and a closer approach of MAPA in the states of the North and Northeast in order to, above all, promote technical training; v) actions in terms of research and technological development; vi) promote a strategic vision of public policies against deforestation and land regulation and the ABC Plan, such as the Plan for Prevention and Control of Deforestation in the Legal Amazon (PPCDAm) and the Pasture Zoning Program in the Legal Amazon of the Multi-Year Plan (PPA) 2012-2015; vii) identify priority areas for allocating the financial resources of the ABC program; among others.

These actions are also important for the country to improve its performance as a whole regarding ABC Program financings.

## 6 Conclusion

Brazilian agriculture needs to increase its productivity in order to correspond to the increasing demand for food and energy. However, there must be concerns not only about gains in production, but also about the adverse effects of climate change, guiding to the transition to low carbon agriculture. In this context, the ABC Program has a strategic role in financing production methods that contribute to carbon sequestration in crops. Assessing the three first crop years of its operation, however, there are still essential issues to be developed, such as the monitoring of GHG reduction in the atmosphere *vis-à-vis* the agreed goals and to the distribution of resources.

Regarding the total contracted value, the ABC Program continues to advance, but has not yet reached the expected and provided amount from the federal government, finalizing the 2013/14 crop year with 62% of resources applied. Banco do Brasil remains as the main transfer agent of the line of credit, due to its wide reach. However, the regional and state views presented in this report show that the areas that should be prioritized for receiving ABC Program disbursements are still behind to meet the goals- as the North and Northeast regions. There must be endeavors to improve credit distribution, strengthening the qualification process of technical support, producers and financial analysts in order to stimulate demand and to evidence the systemic aspects linked to the projects.

Additionally, in the Legal Amazon, which was the highlighted region in this report, despite the increase of 110% of the contracted value in the region between the 2011/12 and the 2013/14 crop year, the amount was still far less than what was allocated to the Southeast and Midwest regions. The Legal Amazon, despite having similar number of contracts as the South region in the 2013/14 crop year, has more states than the South. The increase in ABC Program disbursements in the Legal Amazon proves, however, that some obstacles in the advances of the ABC Program, described in previous studies of the ABC Observatory, are being minimized or surpassed.

Furthermore, it is necessary that actions for monitoring carbon mitigation balance be carried out along with the total amount previously disbursed since the beginning of the ABC Program. Only with that data available will we be able to assess the efficiency of the line of credit in regards to its main goal. This data also contributes to a more qualified analysis of the interest rates practiced in the ABC program, considering the equalization process under which the line is subject.

The ABC Observatory will continue to monitor credit evolution and actions carried out so that the Brazilian agricultural sector can develop a stronger production model aligned with public policies aimed at the country's sustainable development.