

Agriculture Practice

Why Brazilian farmers are doubling down on productivity

Challenging times in agriculture have reinforced the importance of productivity for profitability, a McKinsey survey of Brazilian farmers found.

*by Mikael Djanian and Nelson Ferreira
with Ana Luiza Mokodsi*



Brazilian farmers have endured multiple challenges since 2023, including crop failures, commodity price declines, and intensified droughts, rain, and wildfires.

The result is greater caution, with two-thirds of producers expecting profits to remain stable or decrease in 2024, according to a McKinsey survey. Rising input costs were Brazilian farmers' main concern when surveyed two years ago, but now extreme weather events are seen as the biggest threat. And to navigate the challenges they face, Brazilian farmers are focusing on what can be controlled within farm gates: increasing productivity. Indeed, 60 percent of surveyed farmers say they see productivity as the key to a more profitable future. The finding reinforces the importance Brazilian farmers place on productivity: between 1980 and 2023, Brazil became a global benchmark in agricultural productivity.¹

These are among the findings of a survey of 750 Brazilian farmers, a regional slice of McKinsey's Global Farmer Insights Survey of 4,400 producers fielded in early 2024 (a similar survey was conducted in 2022). In this article, we highlight some of the survey results, including common themes of boosting productivity, adopting new technologies, and securing agroeconomic resilience.

Sixty percent of surveyed farmers say they see productivity as the key to a more profitable future.

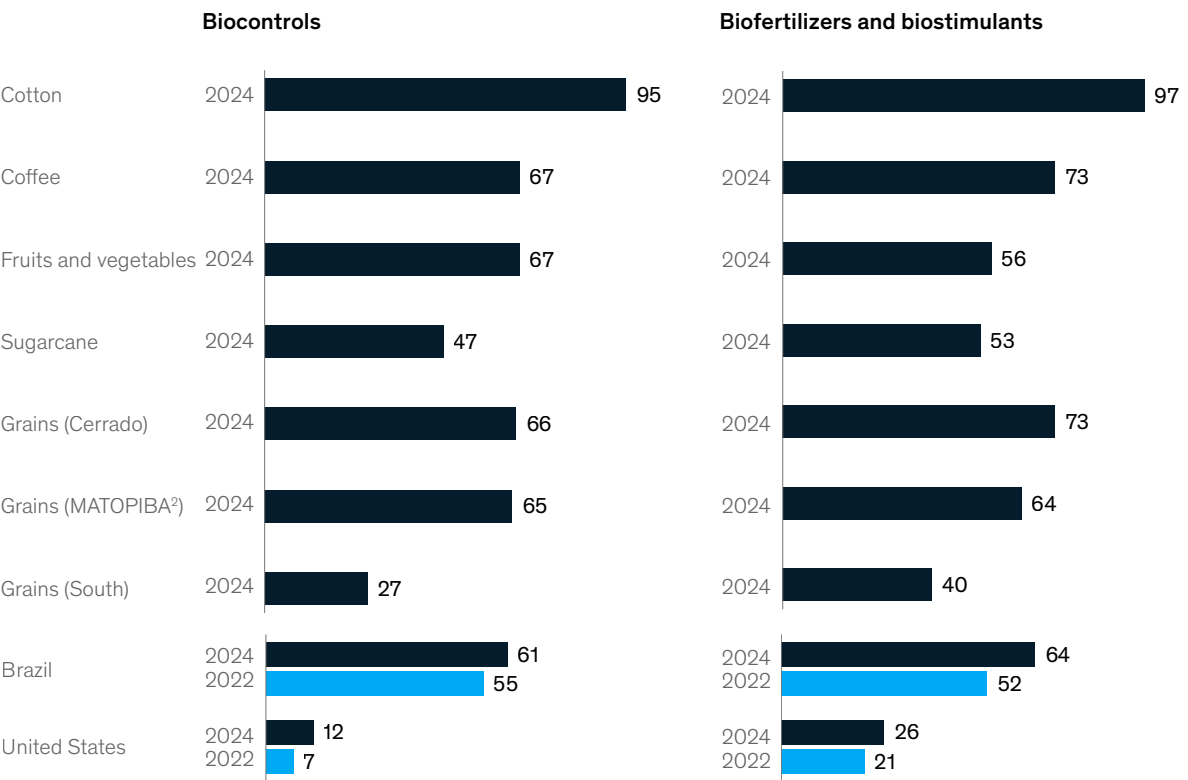
¹ *Toward action: A G20 agenda for sustainable and inclusive growth*, McKinsey, September 27, 2024.

Brazilian farmers pursue sustainable practices

Brazil leads globally in sustainable agriculture. More than 60 percent of the surveyed Brazilian producers said they use biostimulants, biofertilizers, and biocontrols in their soil health protocols—more than double the usage in Europe and the United States, our survey found. More than half of their cultivated lands benefit from these biological products. Additionally, 70 percent farmers said they intend to maintain or increase spending on biologicals, irrespective of input price variations.

Brazilian farmers are increasing the adoption of bio-based products to obtain better results in the field.

Adoption of bio-based products,¹ % of respondents



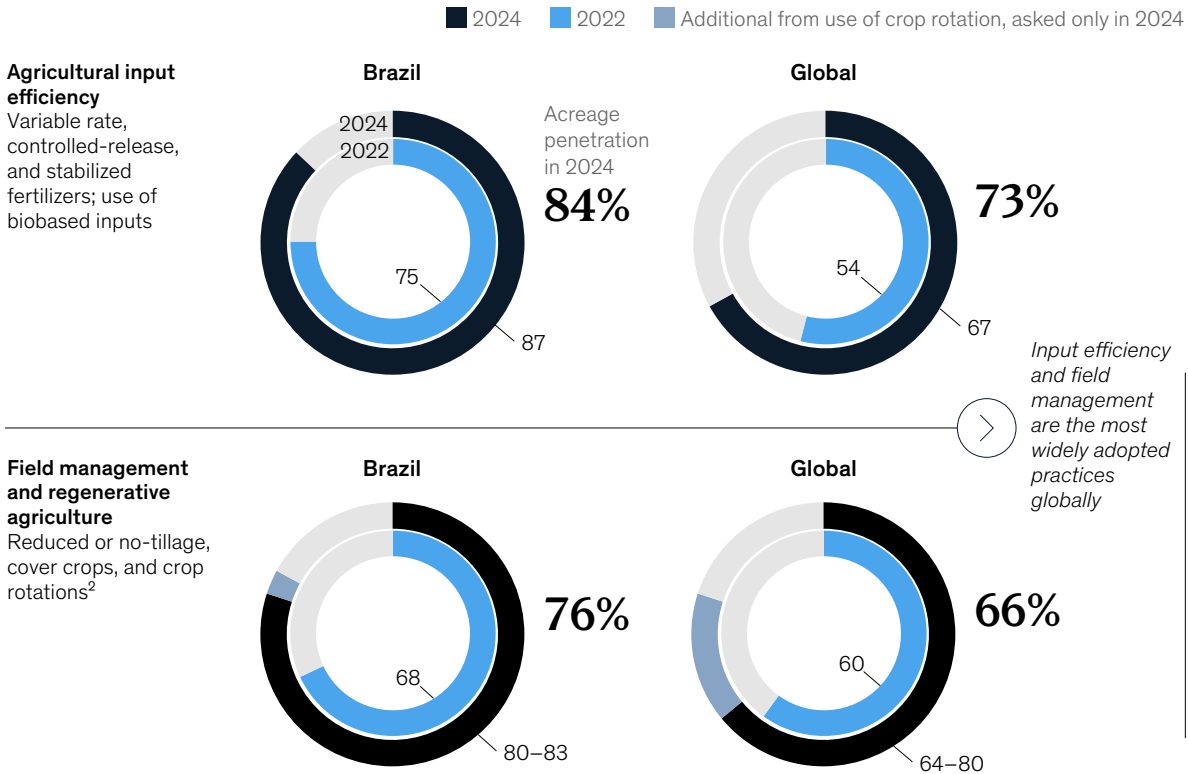
¹Question: Are you using biostimulants, biofertilizers, biocontrols in your protocol? 2024 (n = 771), 2022 (n = 761)
²A region comprising the Cerrado biome in the states of Maranhão, Tocantins, Piauí, and Bahia.
Source: "Global Farmers Insights 2024," McKinsey, October 16, 2024; "The Brazilian Farmer's Mind 2024," McKinsey, March 2024; "The Brazilian Farmer's Mind 2022," McKinsey, May 2022

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Regenerative agriculture and agricultural input efficiency practices are more widely adopted in Brazil compared with the global average. Techniques like no-till farming, cover cropping, and crop rotation not only preserve the environment and reduce emissions but also lower production costs and boost productivity, and they can generate a green premium in the final product's price.

Adoption of sustainability practices is growing globally, with Brazil ahead of global adoption.

Adoption of sustainability practices,¹ %



¹Question: What is your level of adoption of the following sustainable farming practices and energy- and water-efficient operations? Percentage of farmers adopting at least 1 practice. Question: In what percentage of your total area are these practices being implemented? Percentage of total area in 2024 (n = 771).
²Use of crop rotations was only assessed in 2024.
Source: "Global Farmers Insights 2024," McKinsey, October 16, 2024; "The Brazilian Farmer's Mind 2024," McKinsey, March 2024

Facing the challenges of carbon capture

Although regenerative agriculture enhances soil and plant capacity to retain captured carbon, improving soil biodynamics and the water cycle, the ability to monetize carbon credits is still limited. The difficulty lies in proving additionality² and permanence, given Brazil's historical use of sustainable practices.

Farmers are more aware of carbon programs, but adoption is still low.

Participation in carbon sustainability programs,¹ % of respondents

Brazil (average)



¹Question: Which of the following sustainability programs have you participated in or plan to participate in?
Source: "Global Farmers Insights 2024," McKinsey, October 16, 2024; "The Brazilian Farmer's Mind 2024," McKinsey, March 2024

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² A proposed project is "additional" if it would not have taken place without the expected revenue from selling carbon credits.

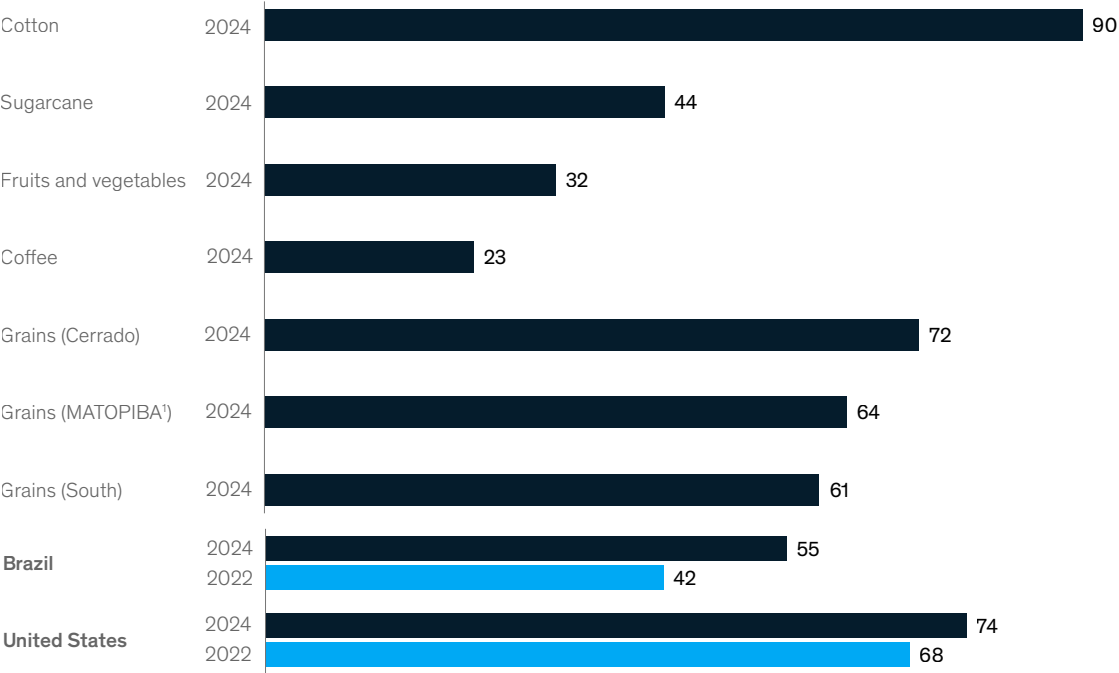
Agtech adoption is growing faster than in other geographies

Adoption of agriculture technology has grown considerably, especially across larger properties, positioning Brazil second among surveyed countries. However, a gap remains with the United States, suggesting substantial potential for growth. Differences in technology use cases are evident due to differences between tropical and temperate climate agriculture: Brazilian farmers focus more on disease and pest control, while American farmers emphasize productivity monitoring and autonomous vehicles.

Implementation and maintenance costs and operating expenses are still the main challenges for Brazilian farmers to adopt new technologies, our survey found. Nonetheless, when it comes to capital spending, a smaller number of respondents pointed to required investment as a barrier to adopting new technologies.

Brazilian farmers are increasing adoption of agtech but are still behind the United States, with ops-focused technologies having the highest adoption.

Farmers using at least 1 type of technology,¹ % of respondents



¹A region comprising the Cerrado biome in the states of Maranhão, Tocantins, Piauí, and Bahia.
Source: "Global Farmers Insights 2024," McKinsey, October 16, 2024; "The Brazilian Farmer's Mind 2024," McKinsey, March 2024; "US Farmer Insights 2024," McKinsey, March 2024

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Mikael Djanian is a partner in McKinsey's São Paulo office, where **Nelson Ferreira** is a senior partner and **Ana Luiza Mokodsi** is a consultant.

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Mixed enthusiasm for digital channels

The survey found that use of digital channels for agricultural purchases stalled at about 40 percent of farmers postpandemic. Improving user experience could boost use of digital channels, given that farmers cite trust issues and lack of personalized advice as major drawbacks.

Farmers' adoption of digital payments has doubled in two years to 54 percent, surpassing the global average. Technological maturity plays a role, with those using at least one agtech solution more inclined to adopt digital payments, particularly younger producers.

Farmers are seeking more financing and security

Cash payments for inputs have declined as farmers have become less capitalized, leading to increased reliance on third-party funds through distributors and suppliers. However, these sources have limited ability to extend credit in the current cycle.

In addition, farmers' interest in insurance has grown, especially among cotton and grain producers, likely due to concerns about extreme weather events and input price volatility.

Echoing the Nobel laureate economist Paul Krugman's sentiment that "productivity isn't everything, but in the long run, it is almost everything," Brazilian producers have long recognized the importance of productivity in today's challenging farming environment. They are focusing on sustainable practices and innovative technologies within farm gates to increase productivity while seeking diverse financing and insurance mechanisms. Our survey shows Brazilian farmers are prepared to take necessary steps to ensure resilience and growth.