

Bradesco's strategy to capture a larger share of the rural credit market
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The largest private entity providing financial support to agribusiness, Bradesco is seeking to boost its credit portfolio for that sector by at least 10%.

While many banks are becoming more cautious due to concerns over the risk of loan default, Bradesco is instead continuing to expand and assert its strong position in agricultural financing, illustrating why it is the top private financier in the agribusiness sector.

Founded in Marília in the 1940s, when it provided credit to coffee producers, at the moment the bank is capitalizing on the current decline in competition to increase its market share, especially among small producers — including family farmers.

To make this strategy feasible, Bradesco is taking on the obligations of other banks to meet the requirements and sub-requirements of rural credit in operations known as DIR-Rural.

"Some banks have completely withdrawn or have greatly reduced their involvement in the agriculture sector. So, we have been making efforts to obtain these resources and today I am investing money from those who were not there before," stated Roberto França, Bradesco's agribusiness director, in an interview with The AgriBiz.

This year, Bradesco is looking to expand its agribusiness credit portfolio, currently valued at R\$130 billion, by at least 10%.

Through this process, the bank has been able to augment its customer base, which in turn has helped it meet the required amount of credit that must be provided to family farmers under the Pronaf program.

"Before, I didn't have enough clients to make full use of their Pronaf resources, so I would transfer whatever was left over. Now, I'm beginning to engage more with clients who fit the Pronaf profile and I'm getting more of them because I have an excess of these resources in my financial reserves" França observed.

França also pointed out that there was another adjustment implemented by the bank in which it began to apply resources from Funcafé, opening another potential source for growth. R\$500 million will be transferred in 2025.

"The more sources of this type you have, the more you grow. We intend to advance significantly. Next year, we'll begin providing production financing through these subsidized credit lines. This is a R\$150 billion market," the executive explained at an event promoted by Bradesco BBI last week.

This year, the bank expects to lend R\$1 billion in rural credit lines with subsidized interest rates — that is, those that receive subsidies from the Treasury — which is still a relatively small portion compared to the overall size of the bank's agribusiness portfolio.

Outside of the range of subsidized resources, the bank remains focused on a credit-with-collateral approach, focusing mainly on producers who own larger areas of land.

According to the bank's calculations, this group is able to maintain a profitability of between 25% and 35%, even with the current the Selic rate. Those with more leases, however, have to spend 20% to 25% of their revenue on these payments—which means that, after paying the costs, there isn't enough money left over to pay the interest.

"This is the profile that worries us the most. What I've been discussing with this group is that they will have to sell some assets and reduce their debt. Because if you keep going in circles and encounter any frustration regarding productivity, it gets really tangled up," França explained.

A new board

Within the bank, there has been a stronger emphasis on agribusiness, and this increased emphasis has extended even to its largest clients. A new management board was created this year specifically for the sector, including people who were already part of the Wholesale division.

"Previously, these clients were in segments such as corporate and large corporate. This is the first wholesale segment focused on a specific sector of the economy", stated Letícia Cardelli, Bradesco BBI's agribusiness commercial director.

Altogether, there are 1,200 economic groups within this segment that are organized into nine distinct areas of focus throughout Brazil. In total, the portfolio is worth R\$50 billion.

"Within the base we have today, we are improving our engagement with these clients by offering services that were less common for them in the past, such as derivatives. We're focused on reducing customer concentration through smart credit management," Cardelli added.

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