



Ways to increase the sustainability of small and medium dairy farmers in Brazil

by **Carlos Zegwaard**

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About the Author

Carlos Zegwaard is a dairy farmer and rural manager from Castro (PR), with strong experience in production efficiency, economic sustainability, and cooperative management. Leading Chácara Primavera and having being part of the Castrolanda cooperative, Carlos combines hands-on farm expertise with technical training in dairy production, people management, and strategic planning.

As a Nuffield Scholar, Carlos conducted study tours through the Netherlands, Canada, Chile, Spain, and New Zealand, visiting farmers, cooperatives, research centers, and technology companies. This international immersion allowed him to compare global production models and governance systems, identifying practical solutions for Brazil—particularly to strengthen small and medium-scale farmers and enhance the cooperative sector's competitiveness.

EXECUTIVE SUMMARY

This report examines the challenges faced by small and medium-scale dairy farmers amid the rapid consolidation of the dairy sector, highlighting the decisive role cooperatives play in maintaining farm competitiveness and long-term economic sustainability. Based on field studies carried out in countries such as the Netherlands, Canada, Spain, Chile, and New Zealand, the author identifies global strategies in value-adding, cooperative organization, and production efficiency that can be adapted to the Brazilian context, especially within the Castrolanda ecosystem.

International experiences show that vertical integration, cooperative feed systems, forage production centers, strong branding, and management programs are effective tools for strengthening smaller producers. The analysis demonstrates that technical efficiency, cooperative integration, and market differentiation are essential to facing price volatility and growing competition. The report concludes that, Despite global consolidation trends, realistic pathways remain to preserve the dairy sector's social and productive base — provided the cooperative assumes a strategic role in coordination, innovation, and continuous producer support.

CONCLUSIONS

1. Value-adding is viable but depends on location, farmer profile, and cooperative support

Farms near urban centers or highways have higher potential for successful vertical integration. With technical support, flexible cooperative rules, and commercial organization, artisanal products can yield higher margins and reinforce regional identity.

2. Cooperative feeding systems can enhance efficiency and reduce vulnerabilities

Centralized diet production reduces costs, standardizes quality, and enables land-limited producers to expand their herds. Although infrastructure investment is required, the model remains adaptable to regional realities and enhances small-producer competitiveness.

3. Strong cooperative brands increase perceived value and generate premium returns

The Colun case demonstrates that a well-built identity, associated with quality and sustainability, creates competitive advantage and higher prices. Strong branding strengthens the cooperative's social role and market presence.

4. Production efficiency is crucial for the survival of small dairy farmers

Evidence from New Zealand shows that cost control, data-driven management, and input optimization are key to coping with price volatility and international competition. Professional management is the most decisive factor for long-term viability.

5. Consolidation is inevitable, but its impact can be mitigated

Although global consolidation trends persist, strong cooperative policies, technical support, management incentives, and diversified income strategies can slow the exit of small farmers and preserve their socioeconomic relevance.

6. The cooperative plays a central role in coordinating sustainable solutions

Castrolanda can lead regional transformation by providing services, training, innovation, and business models that support the permanence of small and medium producers. With strategy and coordination, the cooperative can balance growth, competitiveness, and inclusive development.

RECOMMENDATIONS

1. Encourage value-added models for well-positioned farms

Producers with strategic location, high milk quality, and investment capacity should be encouraged to vertically integrate part of their production—such as cheese and yogurt manufacturing. These initiatives increase profit margins and reduce dependence on commodity markets, provided the cooperative offers technical, sanitary, and commercial support, and adjusts delivery rules so farmers can allocate part of their milk to their own processing units.

2. Structure cooperative feeding systems to scale up and reduce costs

The report shows that Spanish cooperatives have achieved superior efficiency by centralizing diet production and delivery. Castrolanda can adapt this model through regional hubs, prioritizing producers with limited acreage or difficulties in producing high-quality forage. This strategy lowers operational costs, standardizes nutrition, improves zootechnical indicators, and increases system predictability.

3. Develop cooperative forage production and storage centers

For small producers, the main bottleneck is generating high-quality forage. Cooperative silage, drying, and storage centers can increase productivity, reduce waste, and minimize weather-related risks. Inspired by European models, this system would support herd expansion, decrease land dependency, and improve economic efficiency per liter produced.

4. Strengthen the cooperative's own brand as a strategy for differentiation and premium returns

The Colun case shows that a strong brand associated with quality and regional identity increases product value and generates price premiums. Castrolanda can leverage its recognition as Brazil's "National Milk Capital" and develop a narrative based on quality, tradition, traceability, and sustainability—capturing more value from the chain and returning benefits to producers.

5. Redesign bonus and payment systems to reflect quality and efficiency

Current Brazilian payment models insufficiently reward differences in milk quality. Castrolanda can revise its bonus structure, rewarding solids, SCC, TBC, animal welfare, environmental indicators, and management performance. This creates stronger economic signals and encourages practices that enhance competitiveness and added value.

6. Implement continuous training programs in management, costs, and decision-making

Low professionalization is a key factor limiting the sustainability of small producers. The cooperative should expand programs focused on managerial capabilities, cost analysis, data interpretation, financial planning, and the use of performance indicators. New Zealand's experience confirms that efficient management is the main determinant of survival in competitive systems.

7. Establish productive and economic benchmarking mechanisms with public recognition

Like the Dairy Industry Awards, recognizing outstanding economic performance can stimulate cultural change and professionalization. A gradual model built on data collected by technical assistance can provide producers with technical reference points and increase transparency. Benchmarking must be methodologically rigorous and respect the sensitivity of financial data.

8. Promote diversification and rural tourism as income alternatives for small farms

The report shows that small farms can generate additional income through rural tourism, fairs, direct sales, guided visits, and gastronomic experiences. The cooperative can support initiatives connecting producers to urban markets, organizing tourist routes, and promoting collaborative events—enhancing income opportunities and strengthening regional identity.