

Corteva's Seed Traits: How Broadly Should Vylor License?

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A strategy case for MBA students and working professionals

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Case status: Constructed teaching case. Corteva did not disclose a pending board vote or internal deliberation on the specific licensing policy posed here.

A new company, an old strategic question

On July 31, Corteva's planned separation of its seed and crop-protection businesses was still two months away. The company said it remained on track to separate on October 1, with the seed business to operate as Vylor. The separation was intended to give each business strategic flexibility; its completion and later results were not yet known. [C2; C3]

The seed company would enter that transition with a strategic choice about proprietary traits and germplasm. A trait can improve a seed's performance, but farmers realize its value through a variety suited to local conditions. Access to adapted germplasm, breeding, regulatory stewardship, distribution and complementary technologies can shape whether a trait reaches farmers. The company could license more broadly, select partners and markets in stages, or reserve more offerings for its own seed brands. These are classroom alternatives, not options Corteva said it had formally debated.

The question is not whether licensing should exist at all. Corteva had existing licensing activity, relied on third-party technologies and cross-licenses, and described out-licensing as a growth opportunity. The unresolved question for a future standalone seed company is how to govern the next wave: which assets to license, to whom, on what terms, and with what safeguards.

A growing seed business, but an incomplete economics picture

Corteva reported first-half 2026 Seed net sales of \$7.555 billion, compared with \$7.244 billion in the first half of 2025, a reported increase of 4%. Management attributed the period's price/mix increase partly to demand for leading technology and higher out-licensing income. Volume was flat, and favorable currency contributed to reported growth. The filing did not quantify royalty revenue by trait or partner, nor did it isolate the profit contribution of licensing. [C2, pp. 48-49; C3]

The company reported consolidated first-half R&D expense of \$729 million, compared with \$710 million a year earlier. It did not separately disclose first-half Seed R&D expense in the retrieved segment information. A future standalone seed-company budget, the incremental cost of licensing, realized royalty rates, licensee adoption and any effect on sales of Corteva's own

seed brands were not public. [C2]

Exhibit 1. Seed first-half results

Six months ended June 30; dollars in millions. Source: Corteva Q2 2026 Form 10-Q.

Measure	1H 2025	1H 2026	Change
Seed net sales	\$7,244	\$7,555	+4% reported
Derived dollar change		\$311	Arithmetic difference
Reported sales bridge			+3% price/mix; flat volume; +1% currency

The \$311 million difference is arithmetic. The reported growth rate is rounded by Corteva. Price/mix, currency and volume are distinct contributors; management's out-licensing explanation does not quantify royalties or establish their causal contribution.

A settlement changed access-and cost cash

In January 2026, Corteva and Bayer settled an agrobacterium cross-license dispute and related matters. Corteva agreed to pay \$610 million. About \$546 million had been paid through the first quarter, leaving approximately \$64 million due September 15. The settlement terminated the cross-license and resolved specified disputed licensing matters. Corteva said potential Enlist E3 soybean royalty obligations and future payments to Bayer under other disputed agreements ended. It also said the agreements supported out-licensing growth in corn, cotton and canola, including a triple-stack corn product; new cotton licenses were described as having market-rate terms. [C2, Note 12, "Bayer Disputes"]

The settlement shows that intellectual-property access can carry both strategic value and substantial payment obligations. Corteva's description of future licensing support is management's view; the public record does not establish the settlement's net value or the economics of any individual license. The agreed payment is not itself a measure of the value of a trait, nor does the ended royalty obligation quantify future receipts.

Licensing can expand reach and change rivalry

An academic study by Moschini and Perry examined licensing of genetically engineered traits in U.S. corn and soybean seed markets. Its farm-level purchase data covered 1996-2016, with demand estimation limited to the top 13 producing states. In a modeled soybean glyphosate-tolerance scenario, eliminating licensing-an exclusive-access counterfactual-reduced estimated annual firm quasi-profit by \$307 million and farmer surplus by \$381 million, a \$688 million decrease in combined modeled surplus, in constant 2011 dollars. The result compares a historical model counterfactual with observed licensing; it is not a Corteva forecast, a present-day market estimate or a recommendation to license every trait. The study's market, period, modeled products and assumptions limit direct application. [A1, sections 3-7, Table 8]

Licensing may broaden a trait's reach and give its owner royalties on partner sales. It may also reduce the licensor's differentiation, change price competition, or create dependence on a partner's breeding and distribution capabilities. A firm that keeps a trait exclusive may preserve a differentiated seed offer and expected returns to innovation, yet limit farmer access or leave the trait underused in markets where another company has stronger local varieties or channels.

The broader evidence does not resolve the choice. The OECD describes high fixed R&D costs and complementarity across seeds, traits and crop-protection products as potential sources of both scale efficiencies and exclusion incentives. Its cross-market review found no clear general statistical relationship between concentration and seed prices or innovation, while noting data and measurement limits. These findings caution against assuming that either integration or licensing always benefits farmers or innovation. [A3]

Exhibit 2. What is known-and unknown-about licensing

Strategic lever	Potential value	Questions the public record does not answer
License proprietary traits outward	Reach partners' germplasm, channels and farmer relationships; earn royalties beyond own-brand sales	Which partners add reach, at what royalty and stewardship cost, and with what adoption?
Pair traits with Corteva germplasm and brands	Coordinate breeding and trait performance; differentiate own offerings	How much incremental value comes from the bundle, and how much is lost if licensing cannibalizes own sales?
License selectively or in stages	Learn by crop, market and partner while retaining options	Which eligibility rules are defensible and transparent, and can staging slow adoption or raise transaction costs?
Maintain stronger exclusivity	Preserve differentiation and control over deployment	Will own brands reach enough farmers, and what value or innovation is forgone through restricted access?

Analytical framework prepared for this case from the public record; it is not a Corteva-reported assessment. No current trait-specific royalty rate, adoption elasticity or farmer willingness-to-pay estimate is supplied.

Contract design sits beside competition risk

The Federal Trade Commission and state plaintiffs had alleged that Corteva and Syngenta used crop-protection distributor rebate and loyalty conditions to restrict generic pesticide sales. By the July 31 filing, Corteva reported agreements to settle the FTC and related cases without admitting wrongdoing, subject to court approval. Those were allegations about crop-protection distribution, not findings and not seed-trait licensing claims. [C2, Note 12, "Federal Trade Commission Investigation"; R1]

For a seed licensing policy, this adjacent matter is a reason to scrutinize how eligibility, royalties, bundling, stewardship and termination terms affect customers and competitors. It does not establish the legality or competitive effect of a seed license. A policy that expands access could still raise concerns depending on its terms; a selective policy could be defensible if based on clear, consistent criteria and supported by product or stewardship needs.

The policy choice

The Vylor leadership team has been asked, for purposes of this case, to recommend a policy for the next wave of proprietary traits and germplasm. No specific board vote is known to be pending. The team could choose among three broad approaches:

1. **Broad, non-exclusive licensing.** Offer access across a wider set of qualified seed partners under consistent terms. This may increase potential reach and royalties while widening farmers' access. It can also expose differentiated technology to rivals and make stewardship, quality control and channel coordination more demanding.
2. **Selective, staged licensing.** Prioritize particular crops, markets or partners, review results, then expand or revise access. This preserves learning and option value. It may slow adoption, raise contracting costs, and invite scrutiny if partners or terms are selected inconsistently.
3. **Own-brand emphasis or stronger exclusivity.** Reserve more traits or germplasm for Vylor's own portfolio. This may support product differentiation and tighter coordination between trait and variety. It also risks limiting reach, forgoing partner royalties and underusing technology where external partners have stronger local assets.

The alternatives can be combined by asset, crop or market, but each requires an explicit rule for access, partner qualification, royalties, stewardship, data rights, performance review and termination. A recommendation should distinguish current evidence from assumptions. The available disclosures cannot support a precise forecast of incremental royalties or farmer surplus.

Discussion questions

1. What licensing policy should Vylor adopt for its next wave of proprietary traits and germplasm? What should vary by crop, market or partner?
2. How might broad licensing change the incentives and behavior of Vylor, licensees and farmers? Which benefits or costs could accrue to each group?
3. What does the \$688 million historical no-licensing counterfactual show, and what does it not establish about Vylor's decision?
4. How should the Bayer settlement affect the company's view of access, dependence, royalties and intellectual-property risk?
5. What contract safeguards and measures would you use to assess partner access, farmer adoption, stewardship, own-brand cannibalization and competitive effects?
6. Which missing information would most likely change your recommendation? State the assumptions you would test before expanding, narrowing or ending a licensing approach.

Source note

The information set closes July 31, 2026, at 5:30 p.m. ET, after Corteva's Q2 2026 Form 10-Q was accepted by the SEC and before the planned October 1 separation. Full citations, versions and locators are in the research source register. The case excludes later separation and legal outcomes and excludes undated, mutable licensing and CRISPR web pages accessed after the cutoff. Financial cases and Excel analysis are deferred.