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Comparing Costs to Finance Seed Corn Purchases: Vendor Financing or Bank Loan

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Seed companies often offer financing options and incentives to encourage farm businesses to buy their products. This brief highlights the vendor financing options available to farmers for the 2026 growing season, and it compares the cost of credit available from vendors and banks. The two lender types have more comparable financing costs today than five years ago.

Background

Producers often rely on credit to buy inputs. Vendors serve as one type of lender that will finance input purchases. Understanding the volume and cost of this type of credit relative to traditional bank operating loans remains challenging due to limited data availability. That said, historically, estimates suggest that vendors financed roughly 10% of farm input costs. That share may now be higher; in recent years, debt originated through vendors may have ranged from $20 billion to $40 billion annually. [1]

Seed is one input that farm businesses may purchase through vendor financing programs. For corn producers, the USDA Economic Research Service estimates spending on seed represented 13% of total operating and allocated overhead costs in 2024 — an estimated $115 per acre. With U.S. corn acreage topping 90 million acres that year, the total seed expense stretched into billions of dollars.

[1] A RaFF policy brief published in December 2024 details how official U.S. farm debt estimates likely do not fully account for all farm debt extended by non-reporting lenders, including vendors and trade credit providers: https://raff.missouri.edu/wp-content/uploads/2024/12/2024-12-23-RaFF-Policy-Brief-2024-124.pdf.

To reduce interest expense, producers buying seed on credit have an incentive to delay their purchases as long as possible. Vendors, conversely, prefer to sell inputs early to better manage their supply and inventory. By offering incentives, vendors attempt to motivate producers to buy inputs early.

Vendor incentives differ from company to company. They typically announce incentive programs during late summer or fall (i.e., 2025 in this brief's case), and those offers apply to seed planted in the following year (i.e., 2026 in this brief's case). Before ordering seed corn, producers sift through the available offers to determine which vendor offers the greatest value. These offers fit into one of two categories, which we broadly call incentive programs.

- **Financing programs** extend financing terms to producers who buy seed on credit. The terms vary by vendor. Examples include lower interest rates for purchases placed or applications submitted in late summer and into early fall before laddering to higher rates later in the purchase season. Low rates are often coupled with other incentives, such as early-pay discounts. Transactions typically must meet requirements (e.g., minimum purchase levels) to qualify for certain financing terms.
- **Product purchase programs** relate to what, when or how much seed a farm business buys. Early-pay programs provide steeper discounts when farm businesses pay for the next season's seed order earlier in the fall. Quantity discounts offer greater savings per unit as a customer commits to more units, and cash discounts enable savings for farms paying in cash. Loyalty programs recognize customers who buy all or most seed from one vendor. Referral programs reward customers who lead peers to buy from a vendor. Other incentives also may be available.

To offer financing programs, seed vendors sometimes partner with third-party finance companies (e.g., Rabo AgriFinance, John Deere Financial), which extend financing to customers through their farm lending services. In other cases, the vendors (e.g., Beck's, CHS, Wilbur-Ellis) manage credit approvals and repayment through in-house financing departments.

In this brief, we compare the cost of credit that farms would incur — on average — if they were to finance seed corn through vendor finance programs or traditional bank operating lines. To facilitate the comparison, we present how each option could affect the cost of seed per acre.

- The **vendor financing** option is based on financing programs available to customers of 21 seed vendors in fall 2025. It considers the interest rate offers that vendors advertise and associated early-pay incentives for which farms could qualify.
- The **traditional bank operating line** option approximates the cost of credit farms would pay if securing an operating note from a commercial bank. It assumes farms would use the operating line funds to capture cash early-pay incentives offered by seed corn vendors.[2]

[2] Note, the analysis doesn't directly compare vendor, bank and Farm Credit System financing. Farm Credit institutions and commercial banks likely offer similar interest rates for operating lines, but Farm Credit borrowers receive patronage payments. Those payments ultimately affect a borrower's cost of credit but are variable and not considered here.

Methodology

To evaluate the cost of credit from vendors, we created representative incentive schedules that average the incentives available from the sample of 21 seed vendors. One representative schedule estimates the typical financing and associated early-pay discounts vendors posted. A second schedule estimates the early-pay discounts available to customers who pay in cash.

Vendors largely offered incentives for seed ordered between Aug. 31, 2025, and June 20, 2026. Within this period, vendors changed their incentives at differing dates to encourage early purchases. To standardize the analysis, we evaluated incentive programs during multiple periods: the 5th, 10th, 15th, 20th, 25th and 30th of every month between Aug. 31 and June 20. This yields 58 time periods. The following example shows how incentives would be applied. If a vendor offers an 8% early-pay discount from Aug. 20 to Oct. 1, then the discount applied in the seven time periods from Aug. 31 to Sept. 30 would be 8%, but it would change to a new rate from Oct. 5 through the next drop date. As another example, if a vendor offers 1% financing for seed purchased before Sept. 15, then the interest rate is 1% before Sept. 15. No interest rate would be included in the analysis for the periods when a vendor doesn't have an active financing option available. After placing each vendor's offers into the appropriate periods, we computed an average for each period to produce representative schedules that show what would be typical offers for the industry.

We computed incentive averages for each vendor in percentage terms to streamline comparisons. If a vendor offered a discount in dollars, then we converted it to a percentage of the average cost of a bag of seed, which was based on assumptions from Ohio State's enterprise crop budgets for crop year 2026 (Ward B. et al., 2025).

For the vendor financing option, we applied the average interest rate offered in a period from the representative discount schedule to the early-pay seed price to find the interest expense. Note, some vendors' financing rate schedules refer to a prime loan rate and a value above or below it as their discounted rate. For the bank prime loan rate, we used the Federal Reserve's value of 7.25% on Oct. 30 (Board of Governors of the Federal Reserve System, 2025). Then, we computed an average dollar discount per bag by applying a period's discount percentage to the average bag cost.

In the traditional bank operating note scenario, we applied the interest cost from the average bank operating line to the early-pay and cash seed price for the number of months the loan will be active. We used an 8.07% interest rate, which was the average variable rate for agricultural operating loans in the second quarter of 2025, according to the Federal Reserve Bank of Kansas City's Ag Credit Survey.

For both scenarios, we simplified the interest cost by assuming the full borrowed amounts would be due in December 2026 — when most seed vendors indicate loans are mature and full amounts must be repaid. This assumes the farmer makes no payments on a loan throughout the year and pays the full amount of interest on the financed value of seed corn at loan maturity.

Using Ohio State assumptions for average seeding rate and seeds per bag (Ward B. et al., 2025), we converted the average bag discounts for the two scenarios into a per-acre value to arrive at an estimated seed corn cost per acre.

Data

Incentive schedules from 21 seed vendors informed the development of the representative schedules described in the methodology. The schedules used for the analysis were sourced online or via industry relationships and are largely available to the public. Vendors with schedules included in the analysis serve diverse regions of the U.S. and vary in size and other characteristics. No two approached incentives in the same way (e.g., varying discount amounts, different amounts of time when discounts would be offered). Vendors may emphasize some incentives more than others based on company-level factors.

Of the 21 vendors, 12 offered early-pay discounts, which averaged 11.9% in the first period beginning on Aug. 31 and slowly decreased to average 1% in the last period ending on June 20. Slightly more vendors (14) offered financing incentives, which ranged from strictly interest rate incentives to lower interest rates stacked with other discounts. The average interest rate offered to producers in the first period was 1.1% when the associated early-pay discount averaged 9.1%. In the final incentive period, the offered interest rate averaged 4.95%, and the associated early-pay discount averaged 0.7%.

Table 1, Table 2A and Table 2B summarize average discounts and offers for six of the 58 periods reflected in the analysis; they help with picturing how these values evolve throughout the seed sales season.

Observations

Regardless of the selected offer, making selections early yields savings. Figure 1 shows the average seed cost per acre that farms would incur if they choose one of the two financing options. It represents a farmer choosing a seed purchase option at a given date and reports the total amount of interest and seed cost the farmer would accrue and need to repay in December 2026. The chart also shows the list price for seed — the price a customer would pay if no discounts were applied — as a baseline. Note, the data in Figure 1 include offers from all 21 vendors, including those that offered both financing and early-pay incentives, only offered financing incentives or only offered discounts that would require financing from a party other than a vendor.

Of the two options, purchasing seed with vendor financing is marginally lower cost on average — about $5 per acre in the first period. Over time, the gap closes between the two options (i.e., $1 to $2 per acre around Jan. 1).[3] For both options, the total cost per acre for seed purchased declines after April because the seed is financed for a shorter period, resulting in less interest expense accrued.

Figure 2 shows the variation in cash early-pay discounts offered by vendors in the sample. Each black line represents the percentage discount offered by a vendor. The gold line shows the average across vendors. The figure reinforces the disparity in vendor offers available to customers who buy early and pay in cash.

When comparing vendors that offer both financing and early-pay offers to traditional operating lines that enable cash early-pay discounts, the vendor finance programs provided greater savings than the traditional operating line option 88% of the time. The difference between vendor financing and a traditional operating

[3] Interest rates can vary by institution and location. If the bank rate were to average 5%, then the traditional operating line option would have costs that are about even with the average vendor financing offer. With a 4% average bank rate, the bank operating line may offer a slightly lower cost than the average vendor financing offer.

line does vary throughout the purchase season. Figure 3 illustrates the average cost difference per acre producers would realize over time from choosing the vendor financing. Before Dec. 31, 2025, the largest difference would be captured if purchasing in November. The difference widens beginning in February 2026.

Concluding Comments

Based on data from 21 vendors, this brief reports the differences in seed corn expense if purchasing seed using a traditional bank operating line or vendor financing. In addition to evaluating these financing alternatives, the analysis accounts for applicable early-pay and cash discounts to more robustly compare financing alternatives under terms motivating farmers to purchase seed early.

The vendor financing option and its associated early-pay discount was slightly lower cost on average than the option assuming a farm uses a bank operating line to secure cash discounts. This is largely due to multiple vendors providing 0% financing to customers who book orders early. For customers who pay in cash, suppliers do discount the base seed price more than they do for customers who buy using vendor financing. However, vendor financing is less expensive than the cost assumed for farms to finance cash purchases.

Because of vendors' asset size, they are likely to pay a lower interest rate than an individual farmer would. They then offer low-rate financing incentives (e.g., 0%) to entice buyers to purchase their products. In this way, vendors offer to carry customers' debt, and they often borrow against their own lines of credit to cover costs until customers pay. Vendors will include this borrowing cost when deriving seed list prices.

Importantly, fees, charges and other terms (e.g., repayment grace periods, late payment penalties, collateral requirements, order size minimums) associated with interest rate offers are not reflected in the analysis. They should be analyzed and understood before choosing a seed purchase option. Vendors' terms may be different from terms available from other lenders. These differences could add up to more than the differences between average financing costs.

The finding about vendor financing enabling slightly greater savings differs from the conclusion drawn by Fiechter and Ifft (2019). They found cash discounts provided greater savings than vendor financing options for the 2020 crop year. At the time, they mentioned vendor financing could not compete with cash discounts unless the vendor financing dropped to near 0%. According to the incentives that vendors made available for the 2026 growing season, this shift appears to have occurred.

Like in Fiechter and Ifft (2019), the current analysis confirms the real cost savings available for operators who book seed orders early.

This study captures effects of early-pay discounts, but it doesn't directly consider how other incentives (e.g., volume discounts, loyalty programs, bundling bonuses) affect seed corn unit costs. As a result, the savings provided by vendor incentive programs may exceed the estimates presented here. Although this analysis focused on seed corn, generalities from this brief apply to other seed products.

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Tables & Figures

Table 1. Bank Operating Line Financing Option: Cash Early-Pay Discounts

	15-Sep	5-Nov	15-Dec	5-Feb	15-Mar	5-May
N	12	12	12	12	12	12
Average Early-Pay Cash Discount	11.08%	9.43%	7.83%	4.64%	2.42%	1.50%
Minimum Early-Pay Cash Discount Offered	5.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Maximum Early-Pay Cash Discount Offered	17.00%	17.00%	15.00%	10.00%	8.00%	5.00%

Notes: Discounts available beginning on date listed until the next discount period begins (e.g., Sept. 15-19, Nov. 5-9). This option assumes a farm secures a bank operating note and uses the cash to capture early-pay discounts available from a vendor.

Table 2A. Vendor Financing Option: Early-Pay Discounts Portion of Offer

	15-Sep	5-Nov	15-Dec	5-Feb	15-Mar	5-May
N	9	9	8	8	7	7
Average Early-Pay Discount	8.50%	7.83%	4.88%	2.38%	0.71%	0.71%
Minimum Early-Pay Discount Offered	2.00%	1.00%	0.00%	0.00%	0.00%	0.00%
Maximum Early-Pay Discount Offered	15.00%	15.00%	13.00%	7.00%	5.00%	5.00%

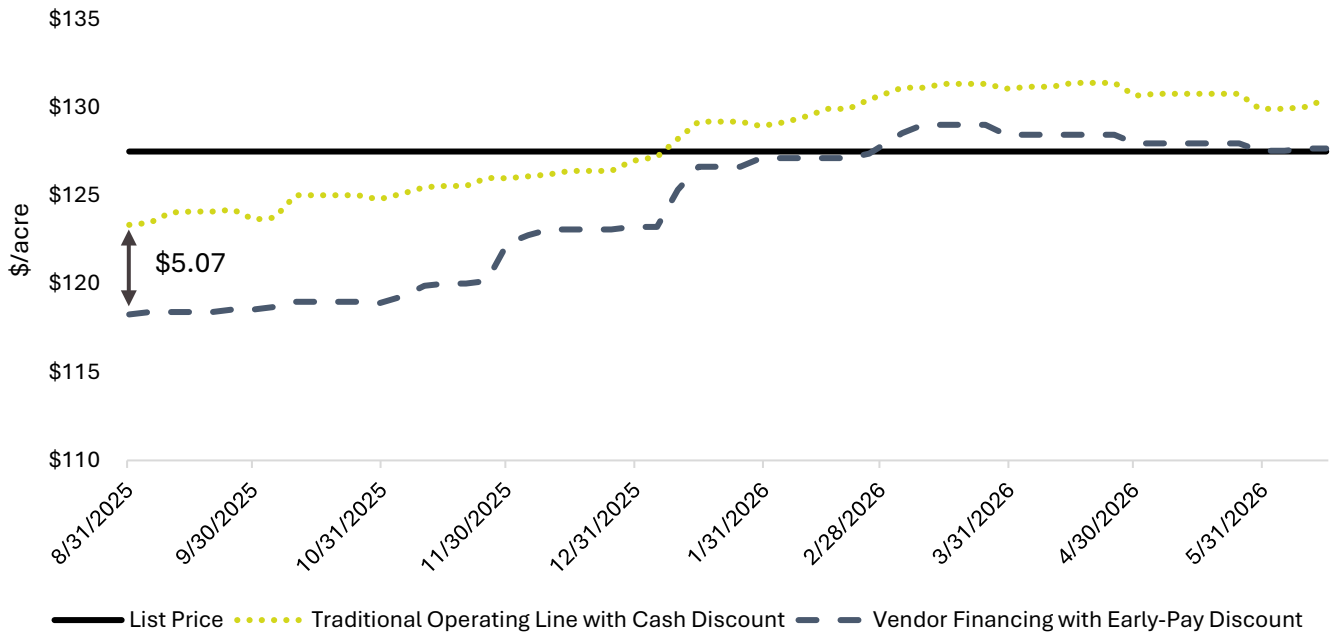
Note: Discounts available beginning on date listed until the next discount period begins (e.g., Sept. 15-19, Nov. 5-9). This table presents the average early-pay discount available to farms that fund seed corn purchases with vendor financing and buy early.

Table 2B. Vendor Financing Option: Interest Rate Portion of Offer

	15-Sep	5-Nov	15-Dec	5-Feb	15-Mar	5-May
N	17	16	13	12	11	11
Average Supplier Interest Rate	1.10%	1.17%	1.77%	3.78%	4.31%	4.31%
Minimum Supplier Interest Rate Offered	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Maximum Supplier Interest Rate Offered	6.25%	6.25%	6.25%	7.25%	7.25%	7.25%

Note: Discounts available beginning on date listed until the next discount period begins (e.g., Sept. 15-19, Nov. 5-9). This table presents the average interest rate available to farms that fund seed corn purchases with vendor financing and buy early.

Figure 1. Estimated Seed Corn Expense Per Acre if Financing with Vendor Financing or a Traditional Bank Operating Line



Notes: The vendor financing option assumes a farm secures financing from a vendor and receives an associated early-pay discount, depending on the order date. The traditional operating line scenario assumes a farm secures financing from a bank; uses the borrowed funds to buy seed corn; receives a cash discount; and has early-pay discounts applied, depending on the order date. For sample size examples, see the "n" denoted in Table 1 for the traditional operating line option, Table 2A for the early-pay portion of a vendor financing option and Table 2B for the interest rate portion of a vendor financing option.

Figure 2. Vendors' Cash Early-Pay Incentives over Time

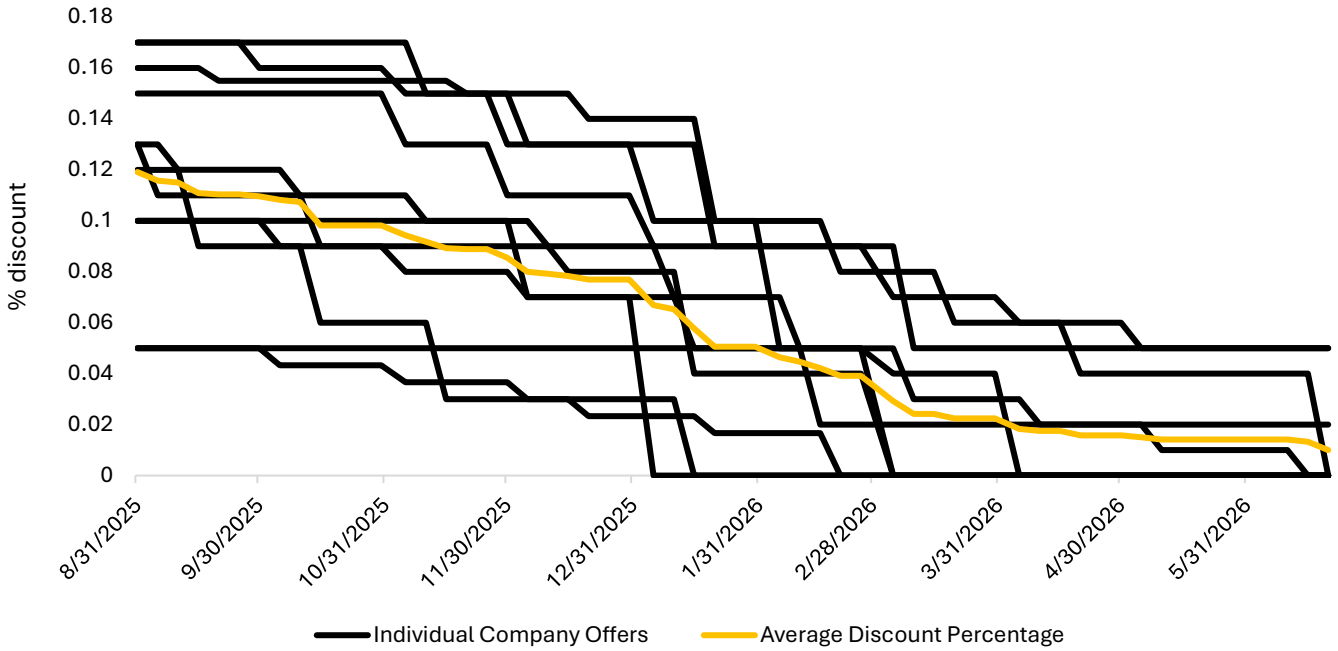
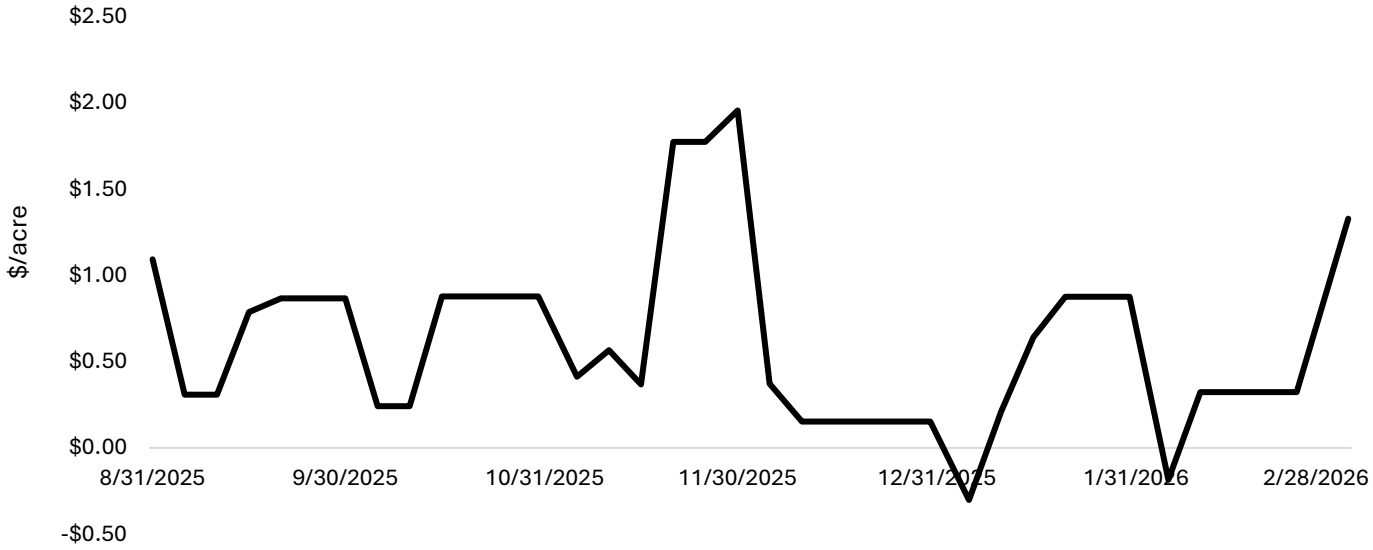


Figure 3. Average Difference Per Acre: Choosing Vendor Financing with Associated Early-Pay Discount Minus Option of Traditional Bank Operating Note Enabling a Cash Early-Pay Discount*



Notes: The sample size is limited to vendors that offer both a financing program and early-pay discount. As these offers expire over time, the sample reflects these combined offers for fewer companies. At the beginning of the time horizon shown, the analysis reflects incentives from eight vendors. By the end of the period shown in the figure, the presented seed cost per acre is based on an average of five vendors' offers.