# Diesel Price Premium

***What Farmers Need to Know***

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## 0.1 Abstract

Fuel is a significant variable cost in crop production, and diesel prices have a direct impact on the profitability of farmers in Kansas. This article reviews recent trends in U.S. highway diesel prices as well as the price premium that diesel users pay compared to gasoline consumers. This information is intended to assist producers in planning for the 2026 crop year. Although diesel is not the largest expense for farms, the increase in diesel prices could result in an additional $6 in fuel costs for Kansas corn producers.

## 0.2 The Diesel-to-Gasoline Premium Over Time

Diesel and gasoline are both refined from crude oil, but they do not always move in lockstep. The diesel premium — the difference in retail price per gallon between highway diesel and regular gasoline — reflects seasonal demand, refinery decisions, export markets, and global supply dynamics. Historically, this premium has ranged from negative territory (gasoline briefly more expensive than diesel) to nearly $1.50/gallon.

To provide context, Figure 1 illustrates the 20-year history of the weekly diesel-to-gasoline premium, highlighting periods of significant change:

- **2007–2009:** The premium increased sharply during the commodity price boom of 2007–2008, briefly exceeding $0.75 per gallon as global diesel demand—particularly from rapidly industrializing economies—outpaced gasoline demand. However, during the 2008–2009 financial crisis, the premium collapsed and turned negative, meaning gasoline became more expensive than diesel for a period—a rare occurrence driven by a sharp decline in industrial and freight activity.
- **2013–2015:** This period was relatively stable, with the premium remaining in the $0.25–$0.55 per gallon range. This stability was largely supported by steady growth in U.S. oil production and refinery optimization.

- **2015–2016:** The premium dipped close to zero again as the global oil glut of 2015–2016 disproportionately reduced diesel demand from industrial users, while gasoline demand remained firm.
- **2021–2023:** The most dramatic spike in the 20-year record occurred during this period, with the premium surging to nearly $1.50 per gallon by late 2022. This increase was a result of post-pandemic supply chain disruptions, European energy sanctions on Russian diesel exports following the Ukraine war, and tightened U.S. refinery capacity. During the COVID-19 pandemic, a decrease in gasoline consumption forced consumers to stay home, leading refineries to shut down. Although diesel demand was less affected by the pandemic, less diesel was produced due to offline refinery capacity, causing diesel prices to rise. This period was particularly challenging for agricultural producers, as the price premiums were higher than normal.

Looking ahead to 2025–2026, recent data shows that after a decline in 2024, the premium has climbed sharply again, reaching $1.25–$1.30/gallon in early 2026. The following discussion examines this development in more detail.

## 0.3 Where Are Prices Headed in 2026?

Figure 2 compares weekly diesel prices in 2025 and 2026 against the plus/minus one standard deviation range of the previous five years. In 2025, diesel prices tracked near the lower end of the historical range for much of the year, generally staying between $3.50 and $3.90/gallon. This provided some relief after the high-cost years of 2022–2023.

The story in 2026 is markedly different due to the bombing in Iran. Starting around week 8 (late February), this event triggered a sharp jump in diesel prices—from near $3.50/gallon to over $5.25/gallon by week 12. This increase is well above the upper bound of the five-year historical range. Such an abrupt spike is unusual even by recent volatile standards and is pushing current prices to levels not seen since 2022.

As shown by Ibendahl (The Crude Truth About Diesel), a $10 increase in oil prices is projected to raise diesel prices by $0.42. Thus, if oil is $95 per barrel, this should raise diesel prices by about $1.25 per gallon. However, as discussed below, prices have increased more than this.

## 0.4 The Premium Is Elevated Again in 2026

Figure 3 reinforces this concern from a different angle. The weekly diesel premium for 2026 tracked modestly above the 2025 level through the first seven weeks of the year, with both years staying within the historical five-year range. Beginning in week 8, however, the 2026 premium spiked dramatically, reaching over $1.25/gallon — above the upper bound of the five-year range and approaching the historic highs seen in 2022. For context, 2025's premium was generally well-behaved, averaging roughly $0.40–$0.65/gallon and staying within or near the five-year band for most of the year.

The current price premium for diesel fuel is not unusual during oil price shocks. The extra $0.75 cost per gallon has the potential to raise diesel prices by $2 per gallon relative to the pre-Iran bombing (with $95 oil).

## 0.5 Implications for Kansas Producers

The sharp rise in diesel prices and the diesel-to-gasoline premium in early 2026 has immediate impacts for crop production costs. Kansas producers should focus on fuel budgeting, contract opportunities, logistics planning, and closely monitor market volatility.

Field operations costs are rising because higher diesel prices are directly increasing the cost per acre for tillage, planting, and spraying operations planned for spring 2026 compared to spring 2025. Producers who pre-purchased fuel or locked in contracts earlier in the year are better positioned since their fuel costs are insulated from these increases.

Watch for increased costs in trucking and freight since the higher diesel-to-gasoline premium often translates to elevated delivery and hauling expenses. Factor this supply chain pressure into budget planning.

Historical context suggests volatility can reverse. As Figure 1 illustrates, large premium spikes have historically been followed by corrections. The 2022 spike unwound through 2023 and 2024. Whether the current 2026 spike proves similarly transient will depend on refinery capacity, global trade flows, and macroeconomic conditions, and how quickly the Iran conflict resolves.

The current corn budget for north central Kansas estimates diesel fuel usage at 3.43 gallons per acre. If prices do rise by $2 per gallon, nearly $7 per acre would be added to fuel costs. As Ibendahl has discussed earlier, fertilizer prices would also likely increase following higher

diesel costs. With already slim profit margins, the added $7 fuel cost could make grain production unprofitable for many, though producers would still cover variable costs.

## 0.6 What to Watch

Producers and agricultural lenders should monitor weekly EIA fuel price data (available at eia.gov) to track if the current premium spike continues through April and May, the main period for spring fieldwork. A premium above $1.00/gallon, if sustained during planting, could directly add $7/acre in fuel costs for a fully tilled corn system, depending on equipment and tillage intensity. In addition, based on Ibendahl's modeling, a sustained increase in diesel prices is likely to lead to a 10% rise in fertilizer costs.

## 0.7 Contact

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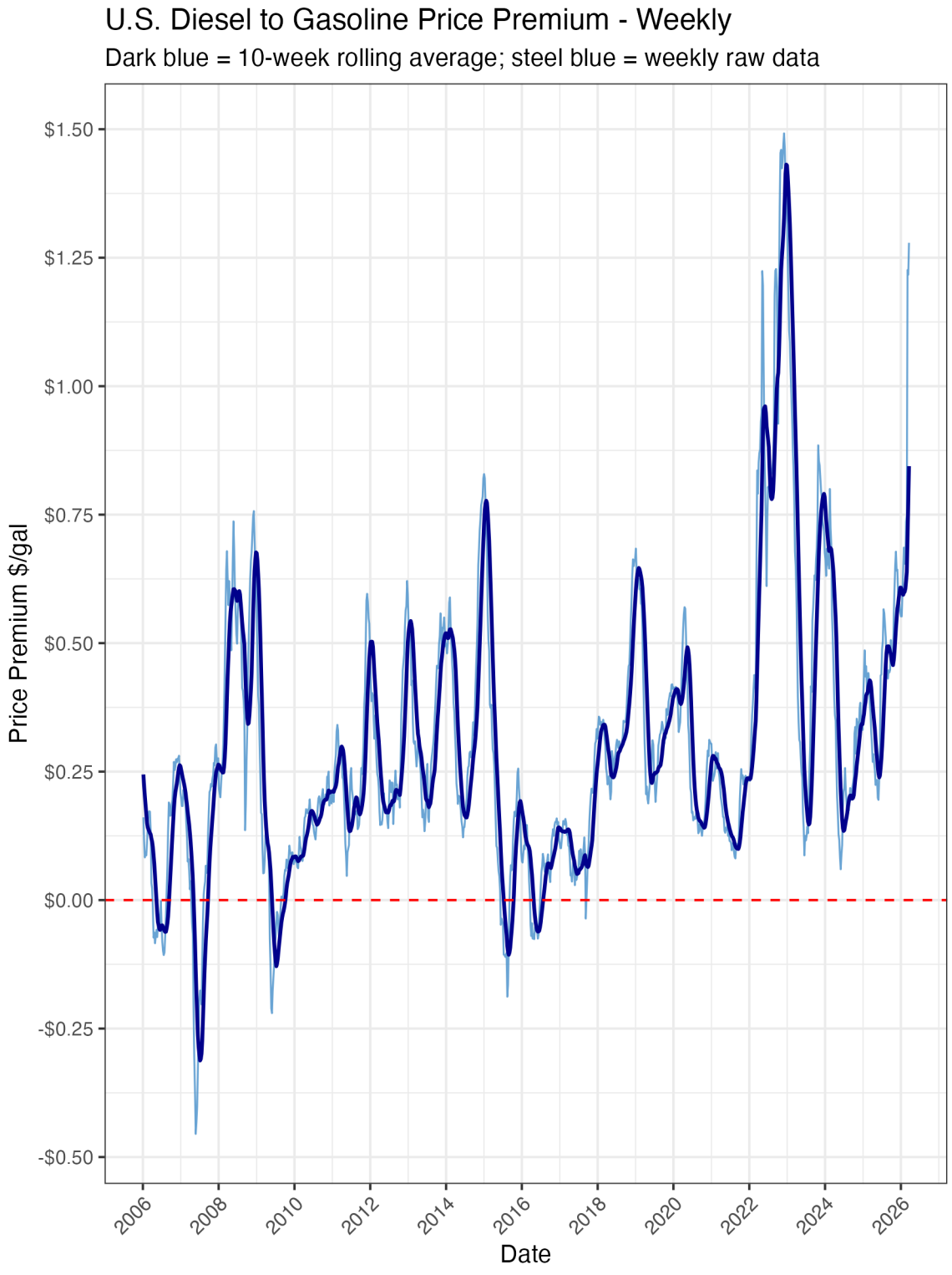


Figure 1: Historical Diesel Price Premium

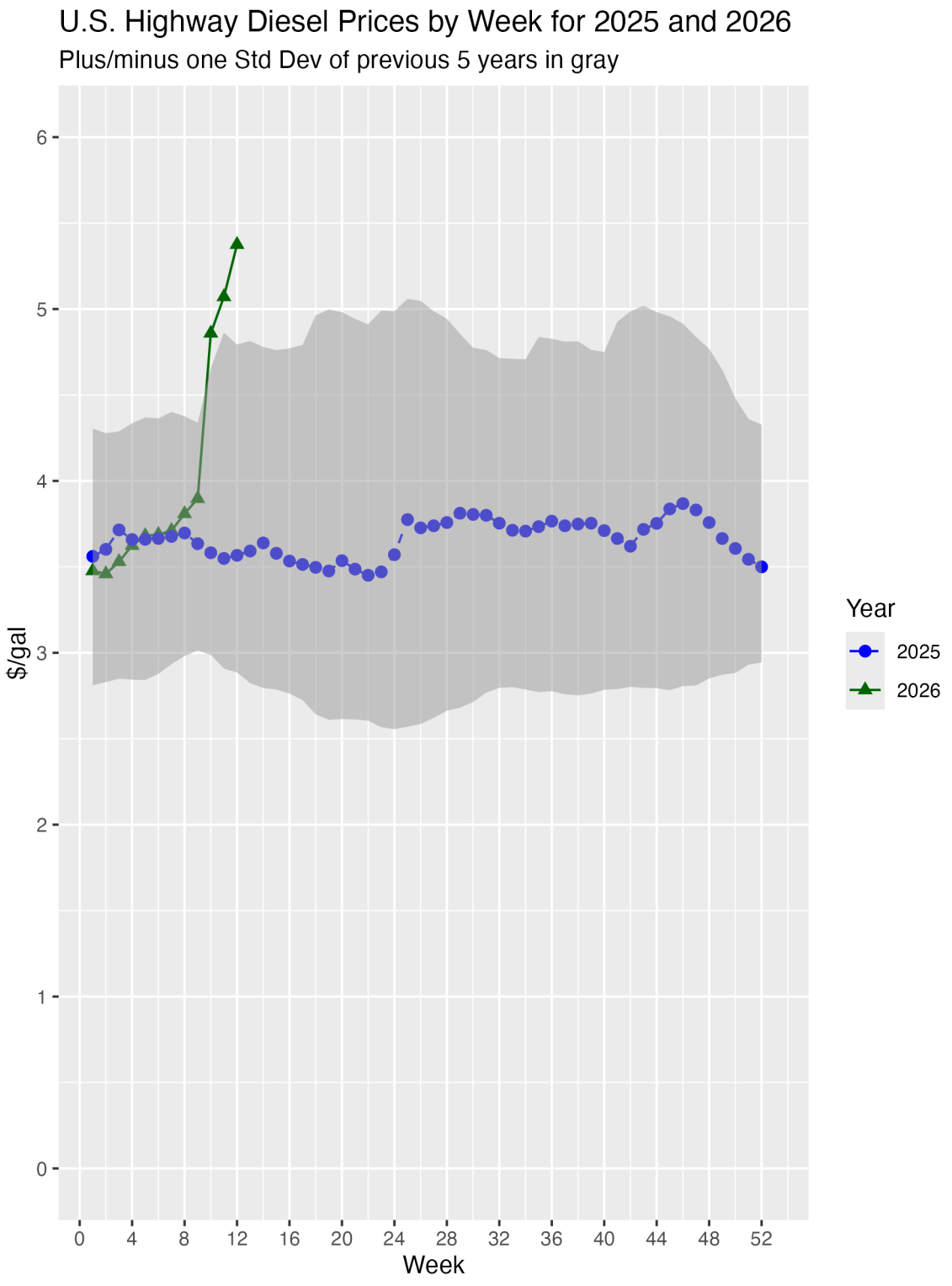


Figure 2: Typical Diesel Prices

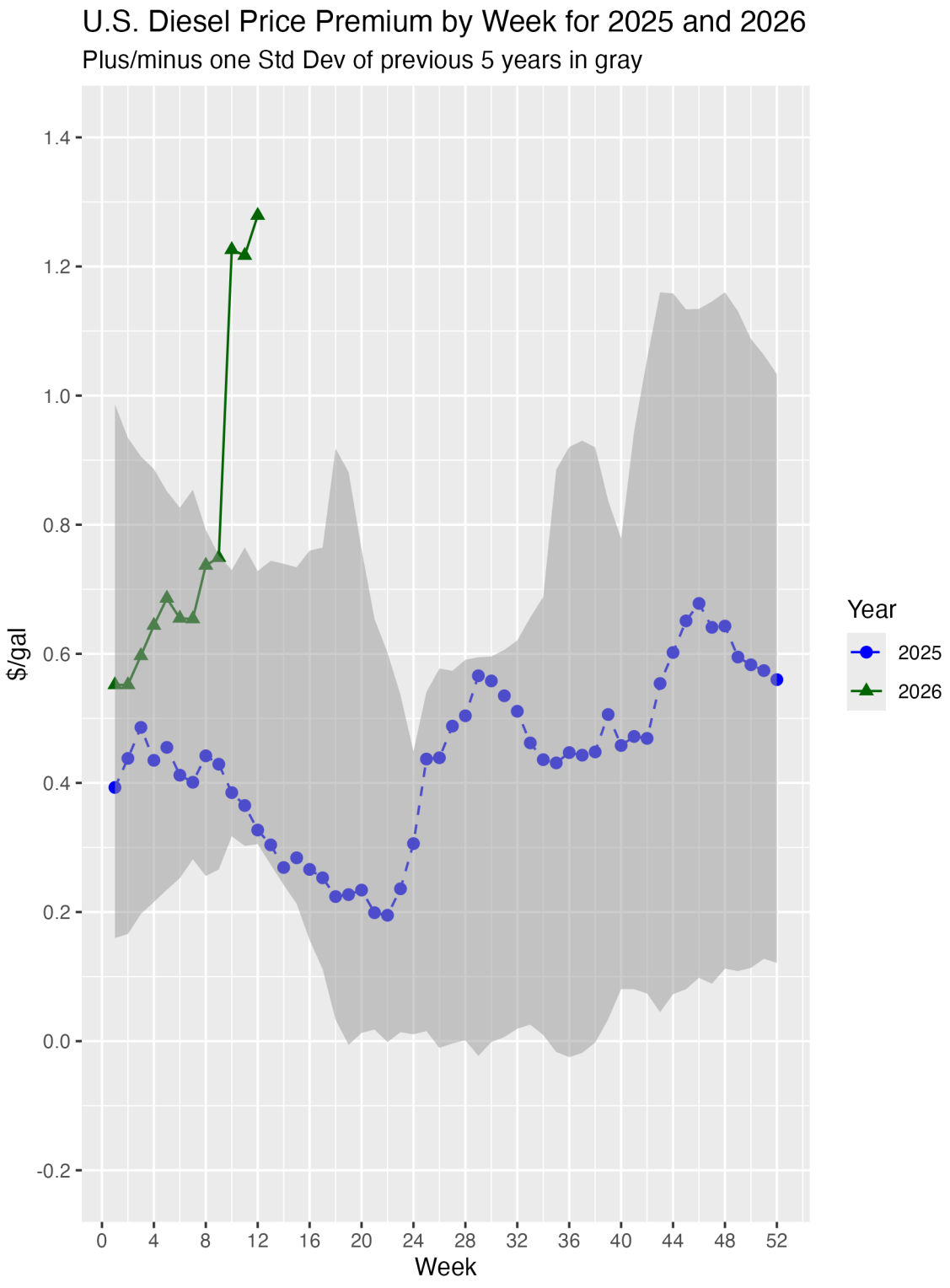


Figure 3: typical Diesel Premium