

Diesel Fuel Price Outlook for 2026 - January Edition

Gregg Ibendahl

January 29, 2026

Introduction¹

This is part of a series of newsletters discussing the outlook for diesel fuel over the next 12 months. Diesel costs are a major expense item for nearly every farm so estimating diesel prices over the next year could help farmers with planning and fuel purchase decisions. These articles will briefly analyze the current fuel environment and then discuss factors that could drive prices upward or downward over the next year.

Current prices

Current diesel and gasoline prices are shown in Figure 1. Diesel prices are nearly identical to last year while gasoline prices are \$0.25 lower than last year. Diesel prices were very consistent in 2025 falling within a \$0.25 range. Diesel is on track to exhibit its typical seasonality with higher than normal prices during the spring and fall. If Diesel prices follow the pattern from 2024, diesel could be lower in the fall compared to the spring. However, if diesel follows last year's pattern, do not expect to see much change in price in 2026.

Gasoline is also exhibiting its typically seasonality with higher than normal prices during the summer, although the seasonality was less in 2025. The current price could very well be the low point for gasoline for 2026. Typically January and February have the lowest gas prices of the year.

Current supply

Diesel stocks remain below the typical range from the previous five-year years (Figure 3). Diesel stocks have been at the low 5-year range for several years now so the 5-year range shown in Figure 3 has been moving down as well. Stocks of diesel fuel have improved slightly since 2022 and 2023 but are still at the bottom range of normal supplies. Refinery capacity in the U.S. remains below the levels before Covid so improving the supply of diesel is likely to be a long-term process. It may take several more years before diesel stocks are at a typical supply level. The other alternative is that the current level of diesel stocks is the new normal.

Diesel price premium

Figures 4 and 5 show the diesel price premium relative to gasoline. The diesel premium has ranged from \$1.20 to no premium over the last five years. However, during 2025, the price premium was near \$0.50 for much of the year.

The price premium in 2026 could likely follow a similar pattern to 2025 and decline during the spring before starting to rise sometime in the summer. However because diesel prices are already \$0.70 above gasoline prices, the price premium may have already peaked for 2026.

Discussion

There are several factors driving diesel prices. The first is the world oil price. Despite conflicts in Russia/Ukraine and the middle East and Venezuela, oil prices remain in the \$60 range and are lower than last year. The price of oil at the start of the Russian/Ukraine war reached \$130 but is now at levels below the start of the war. While traders may have over-reacted to the war in the beginning, they may now be underestimating the supply disruption potential.

The second is the continual capacity constraints facing the U.S. refinery system. Capacity has declined since Covid and may never be at those levels again. Current capacity is often utilized at nearly 95% of capacity. Thus, any hiccup in the refinery system can lead to price spikes. While a move to more EV vehicles may help lower the price of gasoline, diesel demand is likely to remain more constant.

Outlook

Figure 5 shows the projected diesel prices for the next 12 months. This model is based on the oil futures price and the expectation of the diesel to gasoline premium. The futures market is indicating steady to slowly declining oil prices and the diesel premium is expected to follow a trend where the premium declines until the summer and then starts to rise. However, the oil market is very volatile and this forecast could change very quickly. Oil traders do not seem concerned about the world political situation so oil prices have not seen many price shocks.

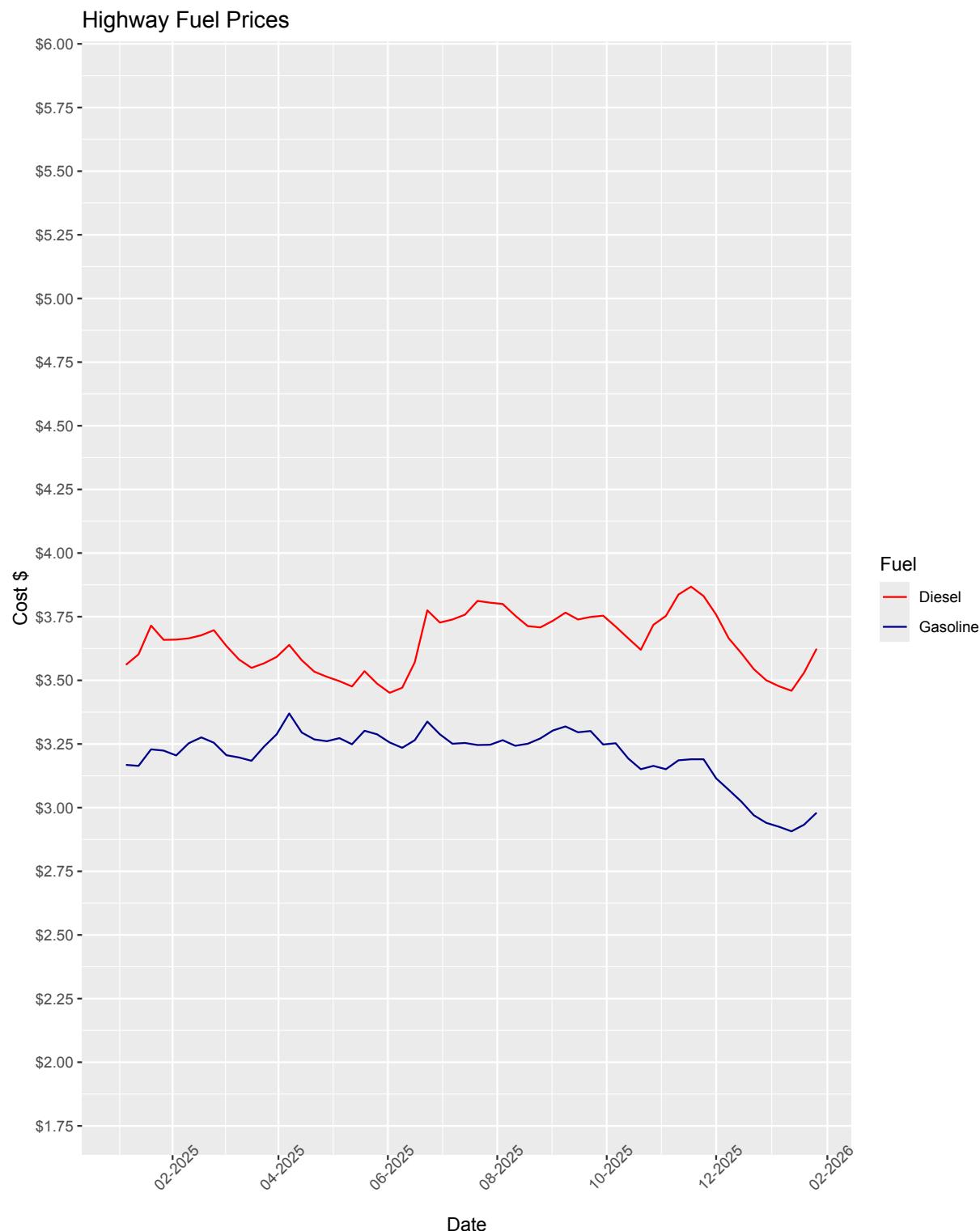


Figure 1. U.S. Highway Gasoline and Diesel Prices Since 2025

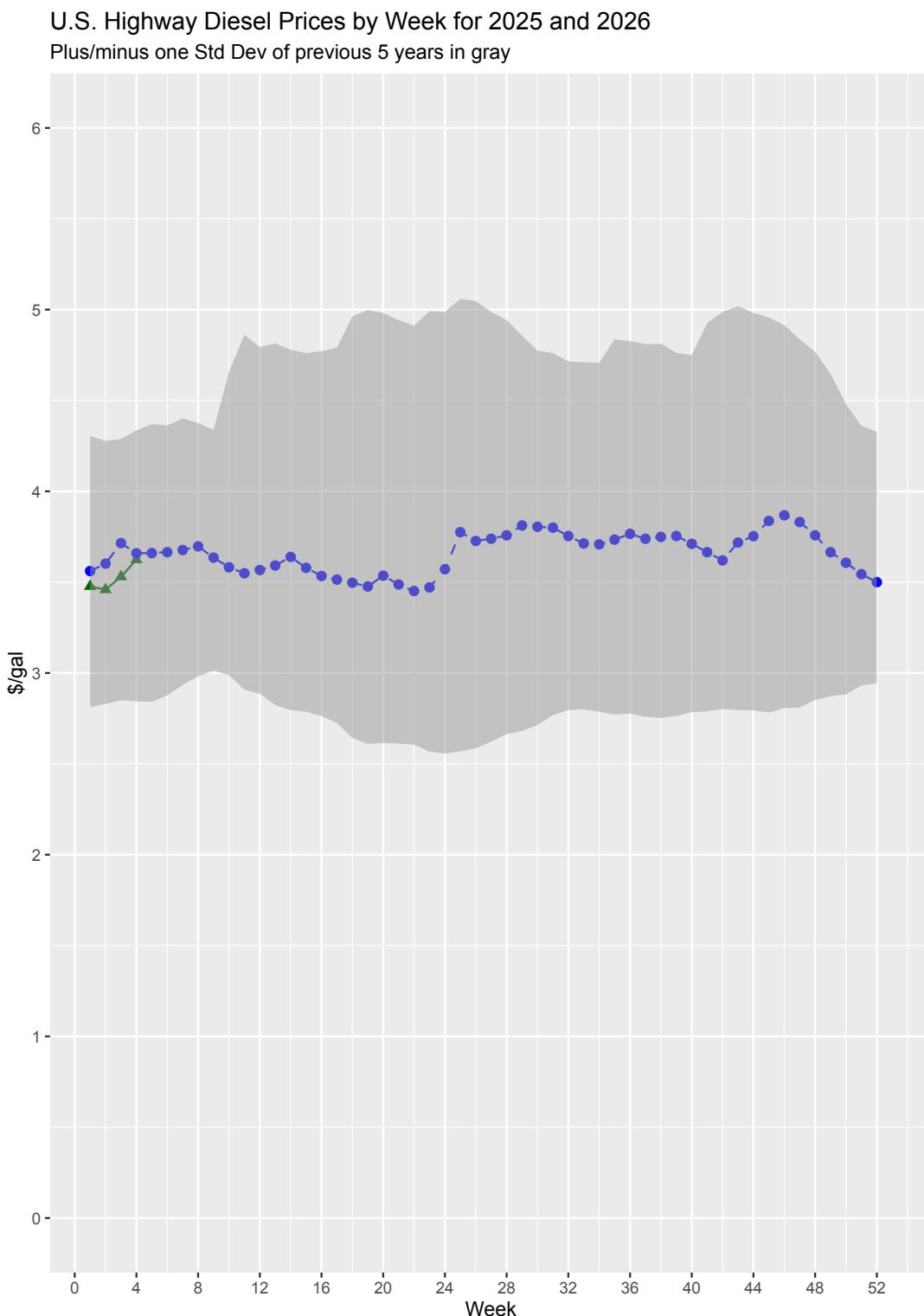


Figure 2. Diesel Prices Relative to the Last Five Years

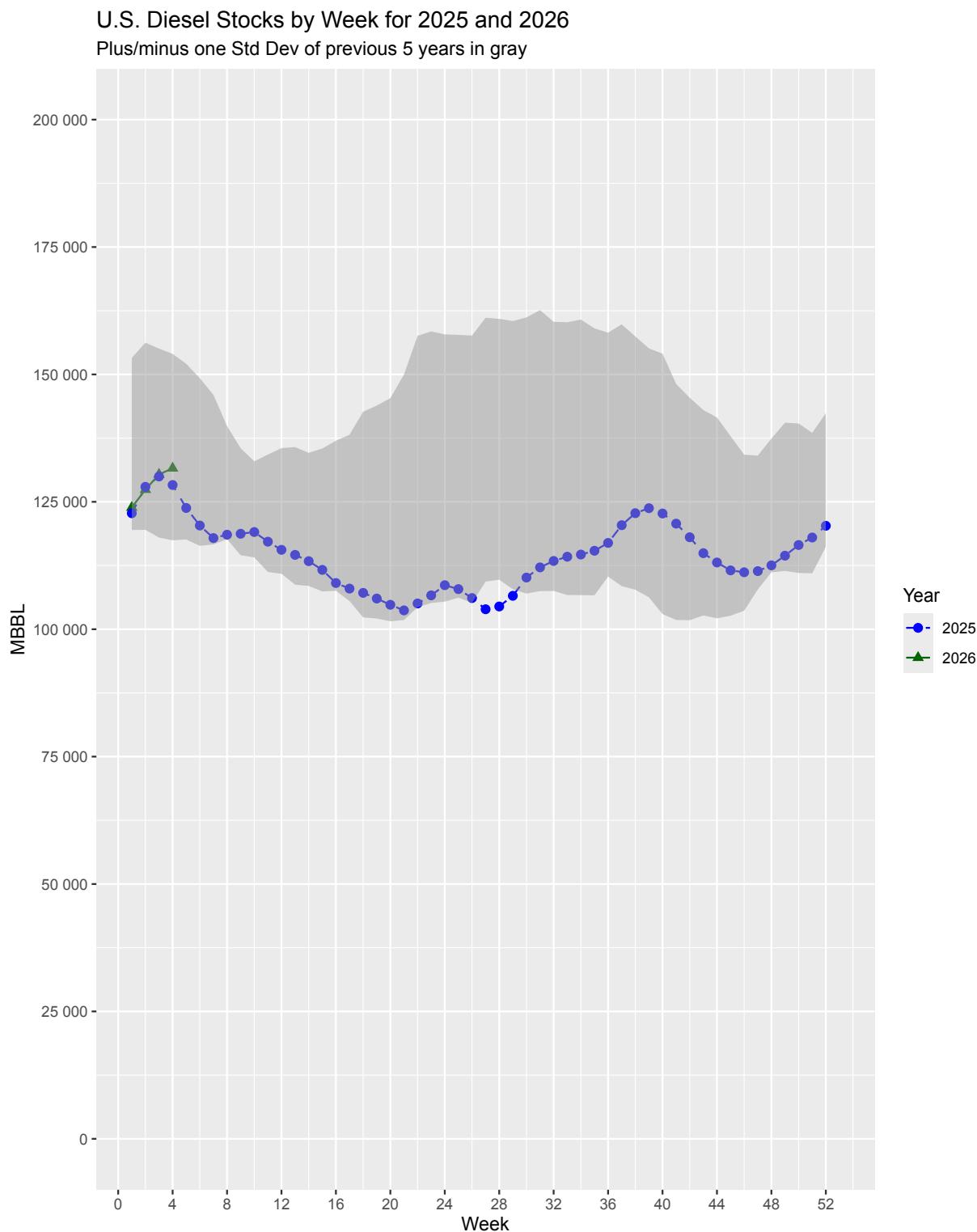


Figure 3. Diesel Stocks Relative to the Last Five Years

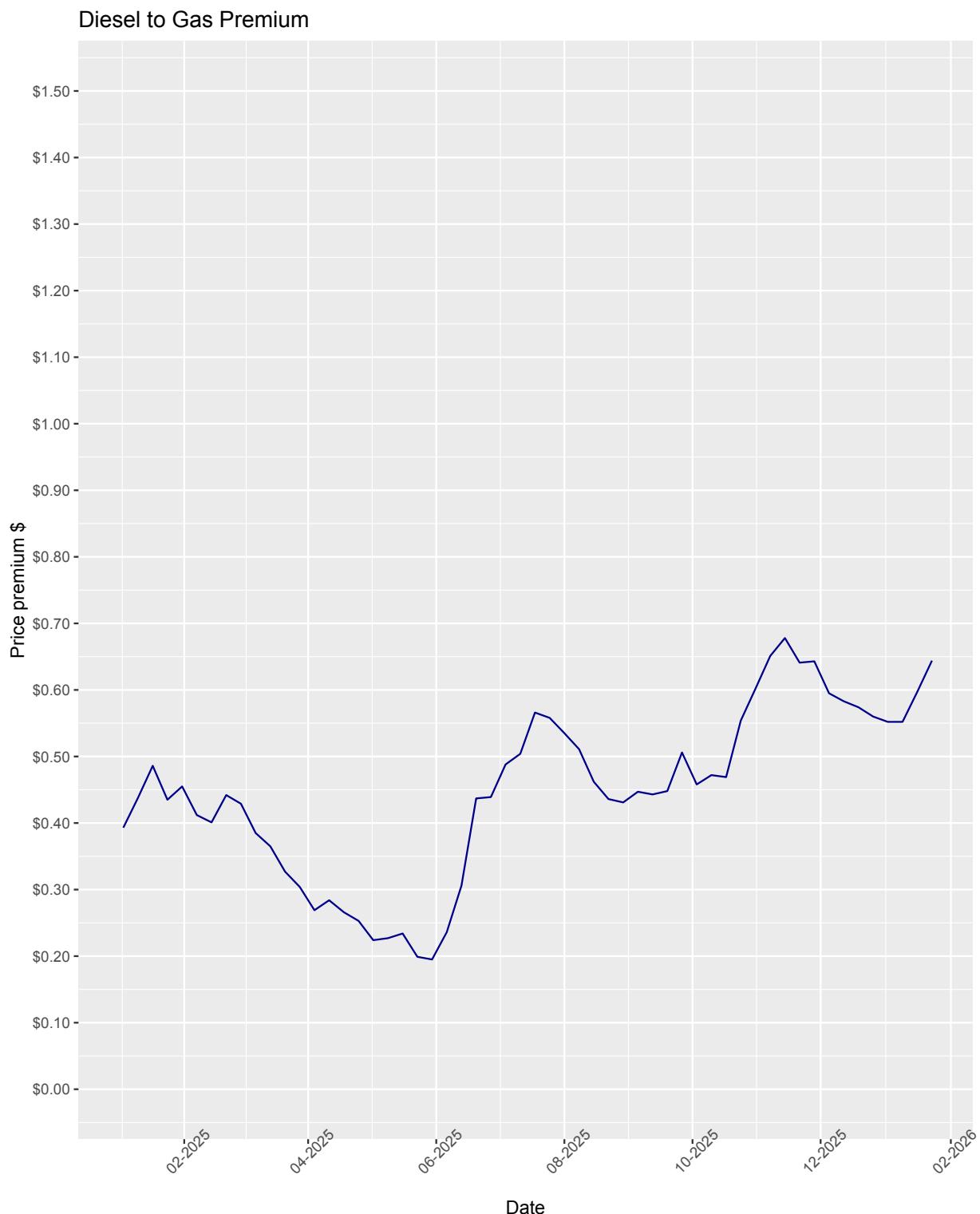


Figure 4. Diesel Premium to Gasoline

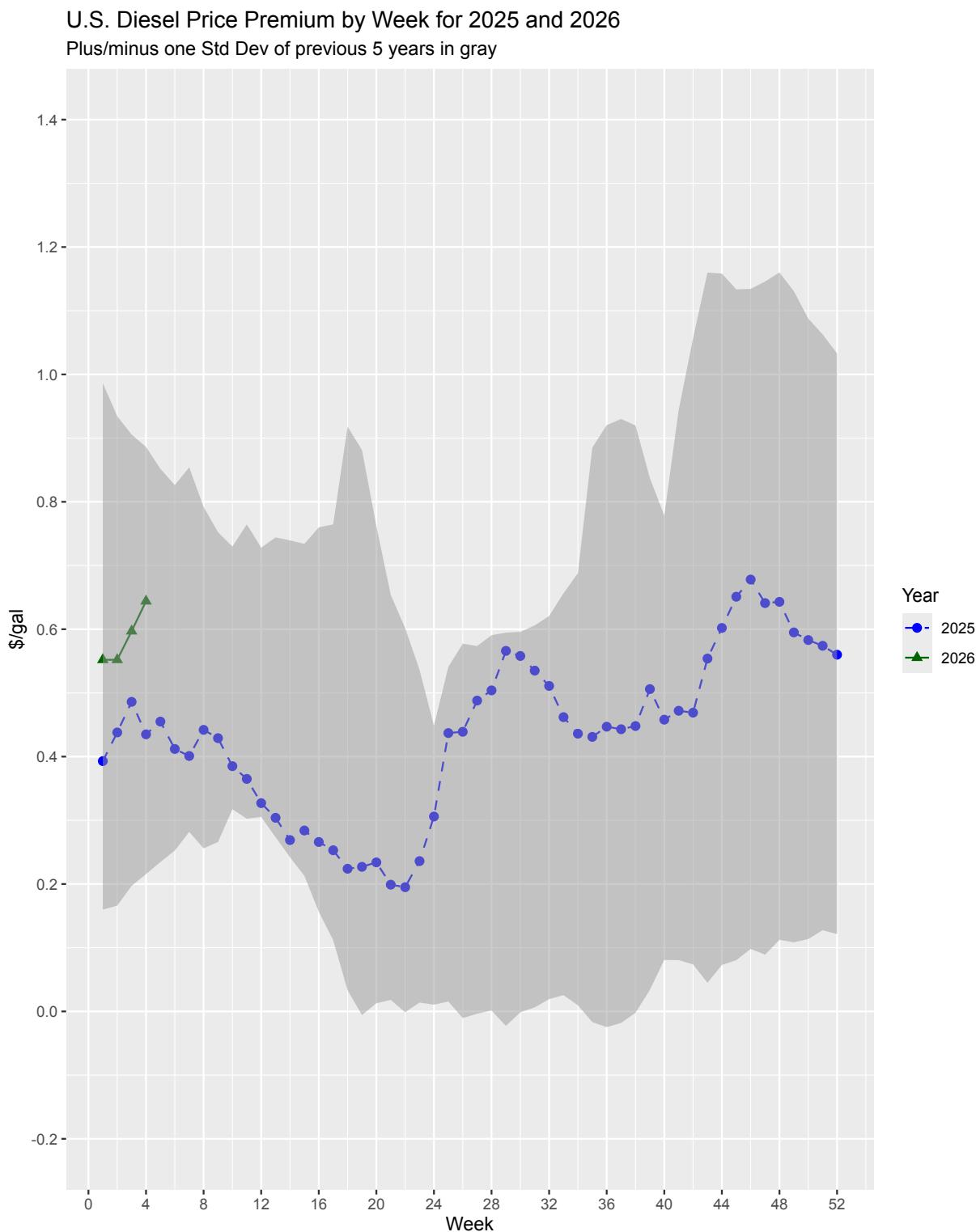


Figure 5. Diesel Price Premium Relative to the Last Five Years

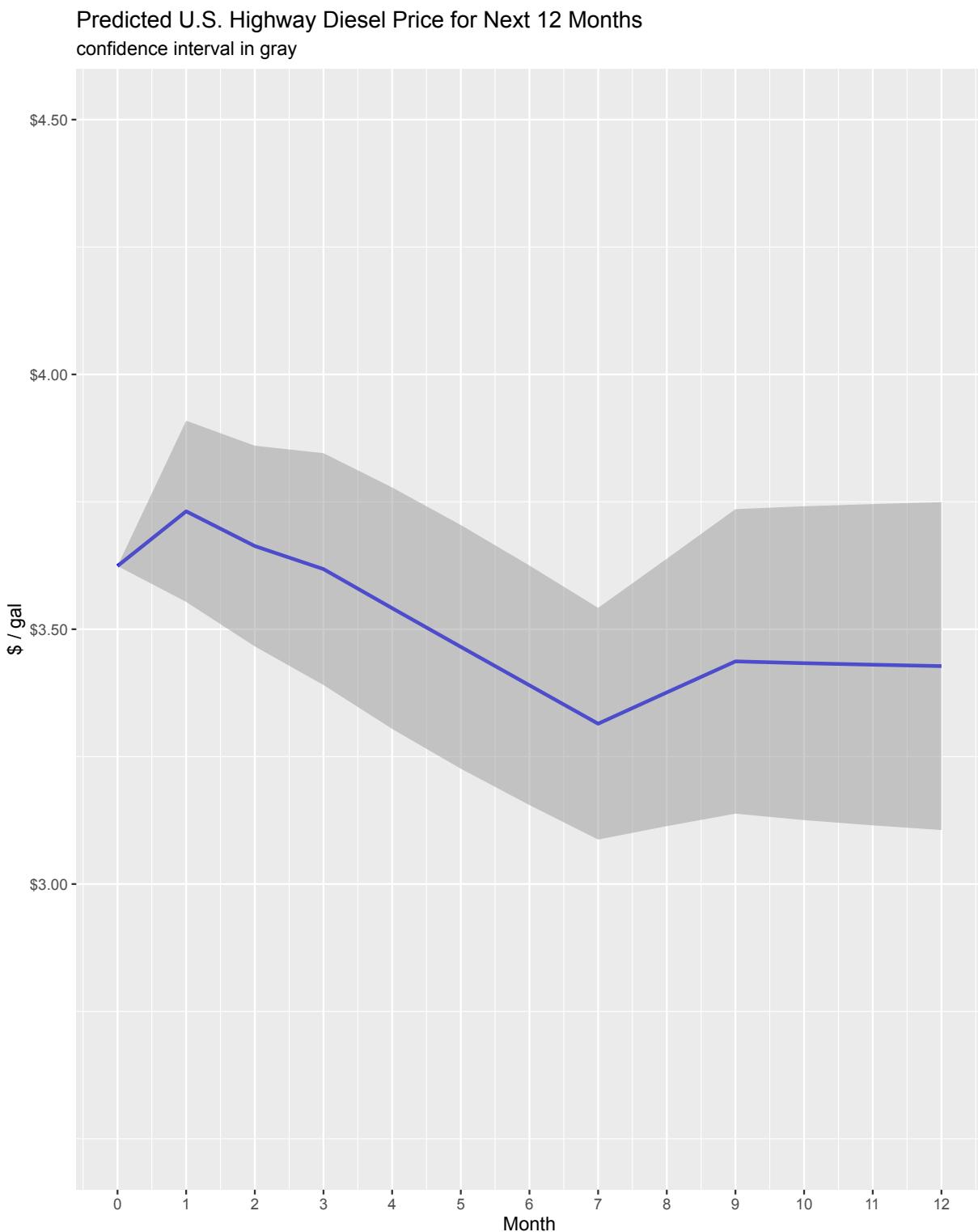


Figure 6. 12 Month Price Prediction for Diesel Fuel

1. Kansas State University - Department of Agricultural Economics

AgManager.info

email: ibendahl@ksu.edu

YouTube: https://www.youtube.com/@little_pond_farm

Substack: https://agricultural.substack.com