Our View

Potential Risks of a US Diesel Export Ban

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Republican politicians such as Iowa's Senator Chuck Grassley have suddenly discovered that the high diesel prices caused by the Iran war have created serious economic problems for their constituents, particularly farmers. Fearing that a once-safe voting bloc could turn against them, these politicians are now calling on President Trump to ban diesel exports in hopes of bringing prices down and restoring their voters' faith in their party. In making his plea, Senator Grassley cited President Nixon's 1973 stoppage of US soybean exports as an example:

> On Saturday, the Iowa lawmaker urged the president to "put an embargo on diesel exports like presidents in the 70s put embargoes on ag products bc food prices were inflated"—a likely reference to those enacted on soybean exports by Richard Nixon's administration.[1]

The senator has forgotten the consequences of the soybean embargo or chosen to ignore them. However, we should remember the experience. *The New York Times* explained the ban:

> In a move to prevent food shortages and hold down prices, the Government imposed export controls late today on soybeans and cottonseed and the meal and oil produced from them, with an embargo on export shipments at least until Monday.
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> The action was taken to prevent an outright shortage of feed for cattle, hogs and poultry in the United States and to reduce skyrocketing prices for feed. The key items—from the viewpoint of both the livestock farmer and the consumer—are soybean meal and cottonseed meal, which supplement corn and other grains as feedstuffs.
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> Products not actually being loaded aboard ship are blocked from export. Secretary of Commerce Frederick B. Dent said that "no later than Monday, July 2, we will announce what quantities will be available for export and what methods will be used in the allocation of the available export supplies."[2]

In a 2019 paper, Jonathan Coppess, a researcher in agricultural and consumer economics at the University of Illinois, reported that the embargo was short-lived, ending on October 1, 1973, when the soybean harvest exceeded expectations. He also noted that the Nixon action had unexpected long-term impacts:

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[1] Hugh Cameron, "Chuck Grassley Presses Trump as Iowa Diesel Prices Hit Record High," *Newsweek*, September 20, 2026 [https://tinyurl.com/d78u8m5m].

[2] Edwin L. Dale, Jr., "Soybeans and Cottonseed Under Export Embargo," *The New York Times*, June 28, 1973 [https://tinyurl.com/2fa4wt2k].

> Japan was the largest importer of US farm products, relying on imports for 97% of its soybean needs and US farmers for 90%; the Administration added insult to injury by canceling soybean contracts and acting without prior consultation with Japan.
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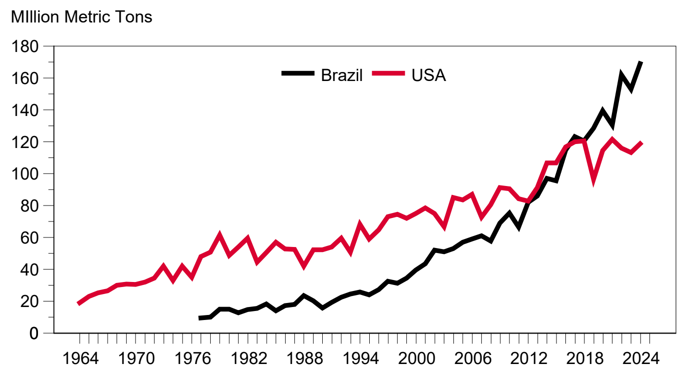
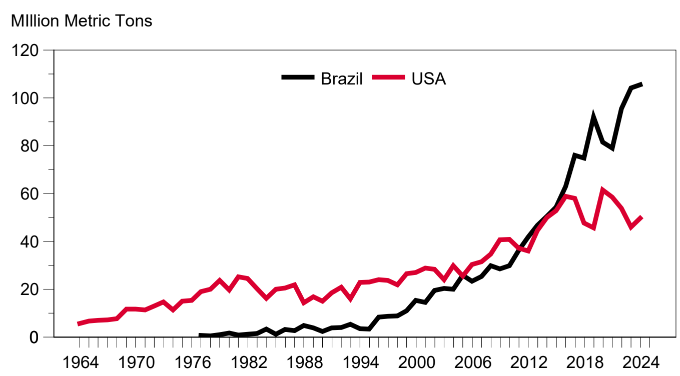
> The embargo raised questions about the US as a reliable supplier of staple commodities. In particular, Japan responded to its over-reliance on the US by introducing the concept of food security and initiating policies to address it. Maybe the most far-reaching of these actions began in 1974 when the Japan International Cooperation Agency was formed and began a large-scale investment in the development of the Cerrado region in Brazil for soybean production; underway from 1979 to 2011 it helped push Brazil into a leading export role in the world soybean market (references omitted).[3]

Figure 1
Annual Soybean Production in the United States (1964-2024) and Brazil (1977-2024)



Source: Jonathan Coppess based on USDA data (see text, endnote 6).

Figure 2
Annual Soybean Exports from the United States (1964-2024) and Brazil (1977-2024)



Source: Jonathan Coppess based on USDA data (see text, endnote 6).

Figures 1 and 2 illustrate the soybean embargo's impact. Figure 1 shows the US (1964-2024) and Brazilian (1977-2024) production, and Figure 2 shows exports. The two figures support Coppess's point. In effect, Richard Nixon sacrificed the US farmers' future for a few months of lower consumer prices.

President Trump and other government officials have bragged about US energy dominance. Today, the United States is the world's leading exporter of diesel, natural gas, and crude oil. Firms marketing US natural gas exports tout the United States as a reliable supplier. However, a ban on US diesel exports, even if temporary, would have the same long-term effect as President Nixon's soybean embargo: the world would no longer view the United States as a dependable source.

[3] Jonathan Coppess, "A Brief Review of the Consequential Seventies," Gardner Policy Series, *Farmdoc Daily* 9, No. 99, Department of Agricultural and Consumer Economics, University of Illinois at Urbana-Champaign, May 30, 2019 [https://tinyurl.com/5an2f2p5].

Initially, a diesel ban would send global prices skyrocketing. Today, the US exports around 1.4 million barrels per day to countries that require diesel imports. Our shipments may account for as much as 20% of the market. A ban could raise world prices by as much as 100%, given the fuel's low price elasticity of demand.

Nations hit by the price increases would suffer economic recessions or worse. They would not forget the experience, just as Japan did not forget the soybean embargo.

The world's energy consumers would also respond as Japan did, in this case turning away from the US to suppliers of renewable energy capital, primarily China, and pursuing an energy agenda and infrastructure that do not depend on the whims of an outside country. US energy exporters would see markets shrink, just as American farmers did when Brazil became the world's go-to soybean supplier.

High diesel prices are a problem. While an export ban would provide a short-term fix, it would also guarantee long-run market losses.