

Our View

The Diesel Problem: Farmers, Krugman, and America Wake Up

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Five months ago, I wrote a blog titled “It’s Products Stupid.” I ended the post with the following:

Given the global squeeze on product supplies, American consumers will likely be paying \$5 or more per gallon [for gasoline] for more than a “few weeks.” Diesel consumers may pay more than \$10.¹

That comment was posted on April 14. Today, the average gasoline price reported by AAA is just below \$4.47 per gallon, and the average diesel price is \$6.50. These prices will likely rise further.

The April post appeared before Ukraine decided to bomb Russian oil refineries. Over the last two months, the Ukrainians have disabled half of these facilities. As a result, the nation that once was a world leader in diesel exports has stopped shipping the fuel abroad.

Buyers everywhere are now scrambling to replace the diesel they once received from Russia and the Middle East. US refiners have stepped into this gap by boosting exports by 220 million barrels per day, an 18% increase from the volumes shipped during the first nine months of 2025.

Skyrocketing diesel prices have drawn vociferous objections from US farmers. Republican Senator Chuck Grassley of Iowa publicly stated on X that high diesel costs were “KILLING FARMERS’ INCOME.” He also asked this question: “W[ith] diesel \$6.57 in Iowa why doesn’t Pres[ident] Trump put an embargo on diesel exports like presidents in the 70s put embargoes on ag[ricultural] products b[e]c[ause] food prices were inflated?”²

Grassley’s suggestion is a mistake because the 1970s export bans ended badly. Cut off from American soybeans, Japan turned to Brazilian farmers for the commodity. Today, that country produces and exports more soybeans than we do. Grassley’s proposed ban on diesel exports could end the **fiction** of US energy dominance and accelerate the shift to renewable fuels, a transition that benefits China.

¹ Philip Verleger, “It’s Products, Stupid,” Substack, April 14, 2026 [<https://tinyurl.com/3342s6db>].

² Chuck Grassley post on X, September 19, 2026 [<https://tinyurl.com/5hfcz7up>].

US politicians, however, are extremely shortsighted. Today, their focus is on the November elections. The diesel price impact on politics has become so intense that Jeff Landry, Louisiana's Republican governor, has called for a three-month moratorium on US diesel exports.³

Landry's endorsement of a ban is ironic because Louisiana is home to 15 refineries with capacities exceeding 3 million barrels per day, according to the US Department of Energy. Around 400,000 barrels per day of diesel exports flow through the state, approximately 30% of the US volume.⁴ However, people, not refiners, vote. According to the US Department of Agriculture, Louisiana has around 42,000 farmers and ranchers, most of whom likely consume large amounts of diesel.

The farm community's belated attention to rising diesel prices is surprising. This reaction was expected the week after the US and Israel began bombing Iran. Everyone anticipated a squeeze on diesel due to the Strait of Hormuz closure. I even noticed. On March 5, I wrote in a *World Energy Opinion* that rising diesel prices would have significant impacts on farmers.⁵ I added that each of the 20 or so disruptions I have studied over 50 years had unique features, concluding that "diesel and natural gas stand out in this episode."

Few noticed my comment. No doubt farmers were too busy preparing to plant. Perhaps they bought President Trump's prediction of a short disruption. Reporters were focused on crude oil.

Five months later, attention has finally turned to the diesel issue. Paul Krugman discovered it yesterday (September 21).⁶ Evidently, a *Wall Street Journal* article titled "Refineries Are Now the Main Chokepoint for Global Energy Supplies" caught his eye.⁷

President Trump woke up to the diesel problem a week sooner than Krugman. The press reported on September 13 that he told Ukraine's president to stop hitting Russian refineries.⁸ Zelenskyy ignored him. On September 20, the final day of Russian elections, Ukraine blew up a major refinery near Moscow.

When it comes to diesel, Trump has **NO CARDS**. Diesel prices will keep rising unless he stops exports. The consequences of such actions would be terrible, but not as predicted by the American Petroleum Institute and others in the oil industry, who suggested refinery runs would be cut.

³ James Bikales and Rachel Shin, "Big Ag and Big Oil go head-to-head over diesel export ban," Politico, September 21, 2026 [<https://tinyurl.com/bdkt2t7v>].

⁴ Evelyn Olson, "Why the Future of Renewable Diesel and SAF Runs Through Louisiana," OPIS Insights, August 5, 2026 [<https://tinyurl.com/mps7c6a9>].

⁵ Philip Verleger, "When Energy Disruptions Strike," Energy Intelligence, March 5, 2026 [<https://tinyurl.com/34fj2yyw>].

⁶ Paul Krugman, "Of Donald and Diesel," Substack, September 21, 2026 [<https://tinyurl.com/5n7sjftc>].

⁷ Matthew Dalton, "Refineries Are Now the Main Chokepoint for Global Energy Supplies," *The Wall Street Journal*, September 20, 2026 [<https://tinyurl.com/2pw639cs>].

⁸ Bo Erickson, "Trump tells Zelenskiy to stop hitting Russian diesel," Reuters, September 13, 2026 [<https://tinyurl.com/ymt8auwc>].

Instead, a ban could trigger a global recession and would almost certainly end US firms' ability to secure long-term export contracts for oil or natural gas.

My next post will address the potential impacts of an export ban.