



September 22, 2026

The Honorable Dave Cortese, Chair
Senate Committee on Transportation
State Capitol Room 40
Sacramento, CA 95814

The Honorable Lori D. Wilson, Chair
Assembly Committee on Transportation
1020 N Street, Room 112
Sacramento, CA 95814

RE: Record Diesel Prices and Financial Stress on California Farms and Ranches

Dear Chair Cortese, Chair Wilson, and Members of the Committees:

On behalf of California's farmers and ranchers, the California Farm Bureau urges the Committees to give immediate attention to the record-high cost of diesel fuel and the significant financial strain it is placing on agricultural operations across the state. Farm Bureau represents more than 25,000 farmers and ranchers from every county in California, advocating for policies that support the viability of agriculture and the rural communities that depend on it.

Diesel is an essential agricultural input. Unlike discretionary expenses that can be delayed or reduced, diesel is fundamental to agricultural production. It powers tractors, harvesters, irrigation pumps, generators, and trucks used to produce and transport California's food, fiber, and timber. From planting and cultivation through irrigation, harvest, and transportation, California agriculture depends on diesel-powered equipment and the businesses that provide fuel-dependent services. Farmers and ranchers cannot simply postpone these operations until fuel prices decline, making the current price spike an immediate and significant financial burden.

The price spike. AAA reported that California's statewide average diesel price reached approximately \$8.42 per gallon on September 21, 2026, following a record-high average of \$8.4244 per gallon on September 20. California's diesel price is also substantially above the national average, which stood at approximately \$6.51 per gallon on September 21. News reports indicate that California diesel prices have increased by more than 55 percent since the outbreak of the conflict involving Iran nearly seven months ago. As recently as September 10, AAA reported California diesel at \$7.91 per gallon, compared with a national average of \$5.98—a difference of approximately \$1.93 per gallon. Farm Bureau recognizes that international energy markets are an immediate driver of the current spike. However, California's agricultural producers are absorbing those higher global costs within a state fuel market that faces additional supply and cost pressures.

Shrinking in-state fuel production. Phillips 66 ceased refining operations at its Wilmington refinery in October 2025, and Valero stopped production at its Benicia refinery in April 2026. Together, these closures have removed approximately 18 percent of California's refining capacity. California has become increasingly dependent on imported fuel. A smaller in-state refining base leaves California with fewer domestic sources of refined fuel when global supply tightens. Every additional volume of fuel that must arrive from outside the state is subject to transportation costs, longer supply chains, and competition from other markets, adding costs and supply risks that ultimately reach the farm gate.

High fuel taxes adds to the burden. California already imposes some of the highest fuel taxes in the nation. The diesel excise tax increased from 46.6 cents to 48.2 cents per gallon on July 1, 2026. Diesel is also subject to a 13 percent state sales tax, plus applicable district taxes. Because the sales tax is based on the price of fuel, the amount collected per gallon increases as pump prices rise. Farm Bureau recognizes that qualifying agricultural uses of diesel receive a reduced sales-tax rate, with eligible transactions generally subject to a 2.25 percent state sales-tax rate rather than the full 13 percent rate. However, not all fuel used throughout the agricultural supply chain qualifies for this treatment. On-road trucks transporting agricultural products, inputs, livestock, and equipment, as well as custom harvesters, haulers, and other agricultural service providers, continue to face significant fuel costs that ultimately increase the cost of doing business for farmers and ranchers.

A spike on top of structural costs. The current fuel crisis is hitting an agricultural sector that already faces high regulatory and labor costs. A Cal Poly San Luis Obispo study, *Two Decades of Change: Evolving Costs of Regulatory Compliance in the Produce Industry*, found that regulatory compliance costs for a Salinas Valley lettuce grower reached approximately \$1,600 per acre in 2024, accounting for more than 12 percent of total production costs, while farmgate lettuce values increased by less than one percent between 2017 and 2024. Labor is another significant expense. California's minimum wage increased to \$16.90 per hour on January 1, 2026, and the state's farm labor bill totals roughly \$18 billion annually. Farmers are price takers who sell into competitive national and global markets and have limited ability to pass rising costs on to buyers. They cannot simply raise prices to offset higher fuel, labor, or compliance costs. When a fuel price spike is added to these existing expenses, it puts further pressure on the already-thin margins that farmers and ranchers rely on to keep their operations viable.

The consequences for agriculture. Higher diesel costs affect every stage of agricultural production, from field preparation and planting to irrigation, harvesting, equipment operation, and transportation. For operations already facing high production costs, sustained increases can lead to deferred maintenance and investment, changes in production decisions, and increased pressure on the long-term viability of farms and ranches. The impact extends beyond individual operations, as higher agricultural costs affect the jobs, businesses, transportation networks, and rural communities that depend on California agriculture.

Requests of the Committees. Farm Bureau respectfully asks the Committees to (1) decline to advance any measure that would increase fuel taxes or fees, or otherwise raise the cost of diesel, while prices remain at record levels, and to review the automatic adjustments that raise the tax burden on diesel; (2) prioritize policies that stabilize and secure fuel supply for California, including examining permitting and import infrastructure barriers, and avoid actions that would accelerate further loss of in-state refining capacity without a reliable replacement supply; (3) hold an oversight hearing on diesel supply and pricing that includes agricultural and trucking stakeholders; and (4) consider targeted relief for agricultural fuel users, including on-road trucks that transport farm products.

Thank you for your consideration. Farm Bureau stands ready to provide data, member testimony, and technical assistance to the Committees and their staff as you examine this issue.

Sincerely,

A handwritten signature in cursive script, appearing to read 'D Legostaev'.

Daniella Legostaev
Assistant Director, Policy Advocacy
California Farm Bureau

CC:
Assembly Committee on Transportation
Senate Committee on Transportation
California Energy Commission