

RightRisk™**UNCERTAINTY****R I G H T R I S K N E W S****High Costs, Uncertain
Direction: Planning for 2027 Inputs**

Farm and ranch managers heading into 2027 face a familiar problem with an added complication. Fertilizer, fuel, machinery, financing, labor, and other production inputs are expensive. At the same time, no one knows with certainty what many of those inputs will cost when they are actually needed.

As of its September 3 forecast, USDA estimates total U.S. farm production expenses at \$492.8 billion for 2026, up 4.5 percent from 2025. Fertilizer, lime, and soil conditioner expenses are forecast up 15.3 percent, while fuel and oil expenses are up 28.8 percent.

How Much Risk is Right for You?

High costs are a problem, uncertain costs are a risk-management problem

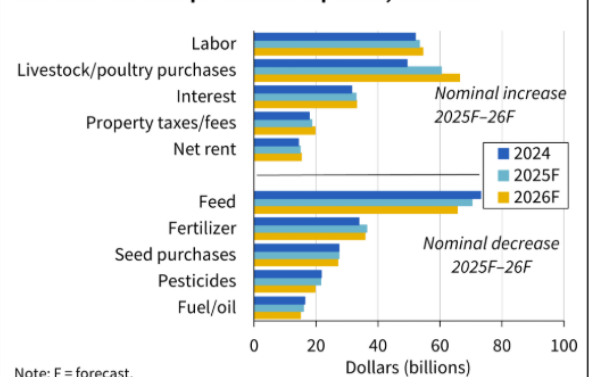
As discussed in the May 2026 *RightRisk News*, agriculture does not have a pause button. Fuel, fertilizer, seed, feed, machinery, labor, and management time are often committed long before final production or product value is known. The challenge is not simply finding the lowest price. It is making decisions today that remain workable if tomorrow looks different than expected.

The forecast changed and that is one of today's biggest challenges. Forecasts are valuable because they help managers form reasonable expectations. However, they should not be confused with certainty. Consider how expectations changed during 2026. In February, USDA expected fuel and oil expenses to decline relative to 2025. By September, USDA was forecasting a 28.8 percent increase. Energy forecasts moved sharply as well. EIA's March 2026 Short-Term Energy Outlook projected an average U.S. retail diesel price of \$3.78 per gallon for 2027. The April forecast raised that figure to \$4.11. As of EIA's September 9 outlook, the 2027 forecast had risen again to \$4.40 per gallon. The change is even more striking in crude oil. In September 2025, EIA expected Brent crude oil to average \$51 per barrel during 2026. A year later, its September 2026 outlook forecast Brent near \$90 per barrel during the second half of the year.

The point is not that forecasts failed. Forecasts changed as new information became available. Managers should do the same. Rather than building a budget around one number, consider a reasonable minimum, most-likely, and maximum value for important uncertain costs. RightRisk's *Risk Scenario Planning* tool uses this approach to show how changes in uncertain values can alter a projected outcome.

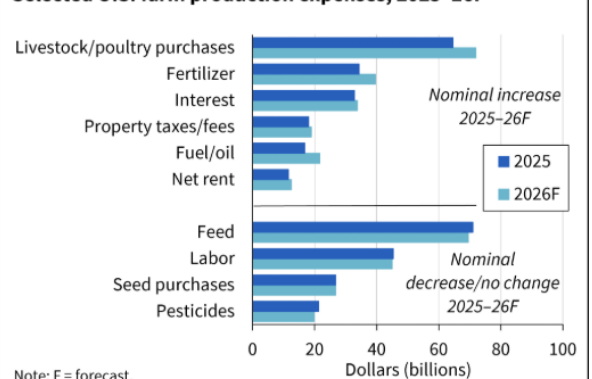
Fertilizer: What Is the Next Increment Worth?

High fertilizer prices tend to focus attention on the price per ton. But fertilizer price alone does not determine whether an application pays. RightRisk's 2023 *Applied Risk Analytics - "Evaluating Fertilizer Application Decisions"* case study follows northern Wyoming ranchers Adam and Jill Tomzak as they evaluate nitrogen

Selected U.S. farm production expenses, 2024-26F

Note: F = forecast.

Source: USDA, Economic Research Service, Farm Income and Wealth Statistics. Data as of February 5, 2026.

Selected U.S. farm production expenses, 2025-26F

Note: F = forecast.

Source: USDA, Economic Research Service, Farm Income and Wealth Statistics. Data as of September 3, 2026.

Figure 1. Forecasts are useful planning information, not guarantees. Expectations for fuel costs changed substantially as conditions changed during 2026.

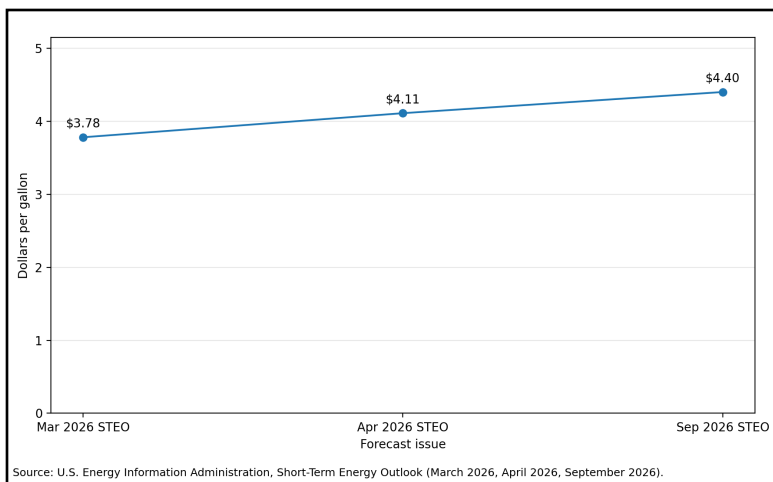


Figure 2. U.S. Energy Information Administration, Short-Term Energy Outlook, March, April, and September 2026.

\$16.88 per acre, but the modeled range runs from a loss of \$50.03 per acre to a gain of \$103.22 per acre. That result illustrates why a single estimate can be misleading. A positive most-likely result does not mean the outcome is guaranteed. Hay price and yield response can move the actual result substantially in either direction.

The Tomzak analysis found hay price to be an important source of that variability and recommended considering risk-management strategies such as forage insurance, Pasture, Rangeland, Forage-Rainfall Index (PRF) coverage, or forward pricing. For producers considering PRF coverage for 2027, the sales closing date is December 1, making this a timely point to discuss with a crop insurance agent. The important relationship is not simply fertilizer price. It is fertilizer cost compared with expected yield response and the value of the added production.

Fuel: Today's Price Is Not Tomorrow's Price

Fuel provides another clear example of uncertainty. EIA's September 9 Short-Term Energy Outlook forecast U.S. retail diesel prices averaging \$5.55 per gallon during the fourth quarter of 2026 and \$4.40 per gallon during 2027. Only days later, EIA's weekly survey reported a national on-highway diesel average of \$6.285 per gallon on September 14. That was the highest nominal price in EIA's weekly series, which dates to 1994. One year earlier, the comparable weekly price was about \$3.74 per gallon.

The September weekly price does not prove the fourth-quarter forecast will be wrong. The forecast is an average for an entire quarter. It does show how quickly actual conditions can move away from an expected path. A reasonable question might be: "Which number should a producer use?" The answer depends on the decision. Fuel to be purchased next week calls for a different assumption than fuel needed for next summer's haying or field operations. A more useful question is: "At what fuel price would my management choice change?"

Existing RightRisk *Applied Risk Analytics* cases show how to ask that question. In *Comparing Conventional and Strip-till Tillage Systems*, high fuel costs are one reason producers consider reducing field passes. In *Evaluating Windrower Options with the Machinery Risk Calculator*, custom windrowing costs rise from \$10 to \$19 per acre due to fuel and other costs, leading the operators to compare custom hire with leasing or owning equipment. Those examples move the discussion beyond the current situation of expensive fuel. They ask whether the cost increase is large enough to justify doing something differently.

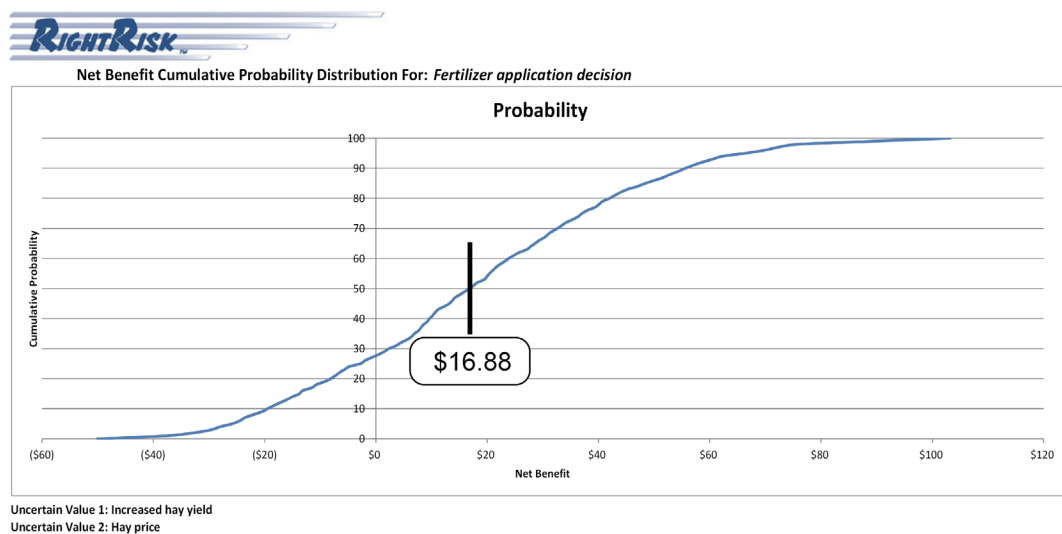


Figure 3. Estimated Net Return Distribution for the Fertilizer Application Decision on the Last 40-pound Increment | Evaluating Fertilizer Application Decisions, Applied Risk Analytics Case Study

Do Not Trade Price Risk for Financial Risk Without Knowing It

Buying fertilizer early, contracting inputs, or filling fuel storage can reduce exposure to still higher prices. Those strategies can be useful. The January 2022 *RightRisk News* emphasized advance contracting, reserves, supplier diversification, and better information as ways to manage input volatility. However, buying early can create other exposures.

Cash committed to fertilizer or fuel is no longer available for other operating needs. Borrowed money carries interest. Stored products create handling, storage, quality, and infrastructure costs. Committing too much quantity can become a problem if acres, livestock numbers, weather, or production plans change. This is especially important when working capital is already tight. January 2026 *RightRisk News* emphasized that financing operating expenses and carrying unpaid operating debt forward can increase interest expense, reduce flexibility, and weaken the ability to absorb future shocks.

Those pressures are not the same for every producer. The August 20 *RightRisk Ag Finance Update - Rich on Paper, Short on Cash: What Is Driving Your 2026?* describes two different agricultural economies operating side by side: strong cattle returns and persistent crop-margin pressure. A well-capitalized cow-calf operation may view an early input purchase differently than a crop operation entering renewal season with limited working capital. The lesson is not “never buy early,” instead it is: “know which risk you are reducing and which risk you are accepting in exchange.”

Preserve Options and Set Triggers

Managers cannot control world oil markets, fertilizer production, trade disruptions, or weather. However, they can preserve flexibility. That may mean contracting only part of expected needs rather than committing everything at once. It may mean maintaining relationships with multiple suppliers, carrying reasonable reserves, considering substitute nutrient sources such as manure, or changing enterprise and production plans when economics justify it.

For some crop producers, insurance products can also transfer a portion of margin risk. The Margin Coverage Option is one example, but current availability is narrow and its sales closing date for corn, cotton, grain sorghum, soybeans, and spring wheat is September 30 of the year before the insured crop year. It is available only for selected crops and counties and is not currently offered in Colorado or Wyoming. By the time most readers see this issue, the 2027 deadline will have passed. Producers interested in products such as MCO should discuss eligibility and future-year deadlines with their crop insurance agent well before next September. Whatever tools are used, managers can improve the decision by establishing triggers before pressure builds.

Plan for a Range, Not a Prediction

No one knows exactly what fertilizer, diesel, hay, grain, or livestock prices will be next spring. Good risk management does not require knowing. Instead, it requires understanding which assumptions matter, what happens when those assumptions change, and knowing when to reconsider the plan. The *How Much Fertilizer Can You Afford to Apply?*, *Risk Scenario Planning*, and *Machine Risk Calculator* tools at [RightRisk.org](https://www.RightRisk.org) can help managers put numbers around those questions. Additional examples are available through the *RightRisk Applied Risk Analytics* series.

When the future is uncertain, the objective is not to make the perfect forecast. It is to build a plan that can still work when the forecast changes.

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Before You Commit to 2027 Inputs

1. What will this input cost my operation at today's price?
2. What are reasonable minimum, most-likely, and maximum prices for planning?
3. At what input price, output price, or expected production level would I change the decision?
4. How much of my expected need am I committing now?
5. What additional risks, such as cash flow, interest, storage, excess inventory, or lost flexibility, do I take on by committing today?

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