Working papers economics - Materials prices, market power, and the rise in processed food inflation in emerging markets: Evidence from Colombia

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Increases in commodity prices are partially passed through to final processed food prices. A 1% increase in commodity prices raises producer prices by 0.6% and consumer prices by 0.3%.

Publication Date: Tuesday, 19 of May 2026 **Focus**
This paper examines how changes in the prices of commodities used by Colombia's processed food industry are transmitted to producer and consumer food prices. The analysis focuses on the 2015–2023 period and uses sector- and month-level data to measure the extent to which variations in commodity prices pass through to final food prices, the timing of this transmission, and how market concentration in each sector affects the pass-through.

Contribution
The paper provides evidence on the determinants of processed food prices in Colombia. The results allow for quantifying the contribution of commodity prices to inflation in these products and for understanding how this contribution is conditioned by the market structure of the food industry.

Results
The findings show that increases in commodity prices are partially passed through to final processed food prices. A 1% increase in commodity prices raises producer prices by 0.6% and consumer prices by 0.3%. These effects materialize gradually—over four months for producer prices and nine months for consumer prices.
The study also finds that pass-through is lower in more concentrated sectors. This dampens price volatility by moderating price increases during periods of rising costs, but it also limits price declines when those costs fall.

Fuente: https://d1b4gd4m8561gs.cloudfront.net/en/publications-research/working-papers-economics/materials-prices-market-power