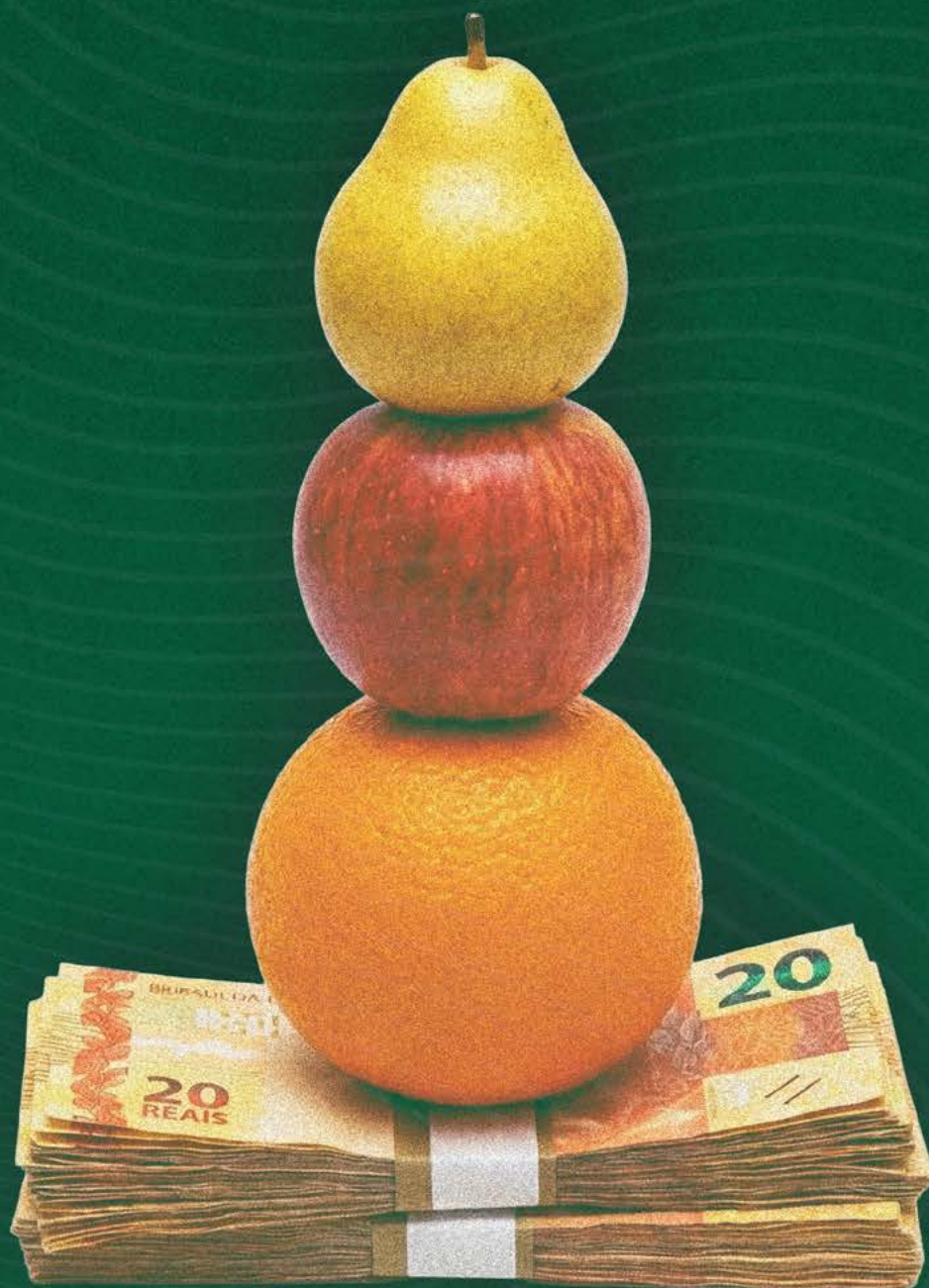


# FOOD INFLATION IN BRAZIL

A STRUCTURAL, SPECIFIC, AND SYSTEMIC PHENOMENON



**VALTER PALMIERI JR**

## FOOD INFLATION IN BRAZIL: A STRUCTURAL, SPECIFIC, AND SYSTEMIC PHENOMENON

Food inflation represents one of the most serious and persistent problems in the Brazilian economy and in public health. By undermining families' purchasing power, it pressures overall inflation, contributes to higher interest rates, and deepens macroeconomic imbalances, such as rising indebtedness and constrained economic growth. Addressing it, therefore, is crucial to promoting food and nutrition security and public health, especially because it affects lower-income families even more severely, restricting their freedom of choice and access to a varied and healthy diet.

The phenomenon is often seen as dependent on merely cyclical factors, such as crop seasonality and exchange rate fluctuations. The publication *A Inflação de Alimentos no Brasil: um fenômeno estrutural, específico e sistêmico*, (Food Inflation in Brazil: a Structural, Specific, and Systemic Phenomenon), written by economist Valter Palmieri Jr. in partnership with ACT Health Promotion, however, argues that food inflation is, in fact, **a structural, specific, and systemic issue related to the country's social, economic, and environmental context**. This Executive Summary presents the publication's main findings and analyses.

The problem of food inflation in Brazil

Over the last two decades, food inflation has remained consistently above overall inflation in Brazil. During this period, food and beverage prices rose about 1.6 times more than general inflation. In addition, **fresh or minimally processed products** tend to show sharper price increases than ultraprocessed foods, whose consumption is associated with chronic diseases such as diabetes, hypertension, and some types of cancer, amplifying the adverse effects of this process. Fruit prices, for example, rose nearly **2.8 times** more than overall inflation, while tubers, roots, and vegetables rose about **1.9 times more**.

The following image illustrates how inflation affected purchasing power over the last two decades in Brazil and, more specifically, how the effect was even greater for healthy foods.

## Inflation over the last two decades (purchasing power):

### General inflation:

100 BRL from 2006 is worth about 35 BRL today.



### Food and beverages (in general):

The same 100 BRL is only worth 24.70 BRL today.



### Basic foods:

Tubers, roots, and vegetables: 21.80 BRL



Meats: 17.10 BRL



Fruits: 16.20 BRL



The loss of purchasing power was significantly higher in food than in general inflation, and even more pronounced in non-ultraprocessed foods.

Public policies that tackle food inflation and promote the consumption of healthy products are essential to reversing this situation. However, for such policies to be effective, it is essential to analyze and understand the phenomenon more broadly.

There are cyclical reasons that affect prices, but their effects are magnified or determined by structural conditions. Thus, food inflation can be understood as:

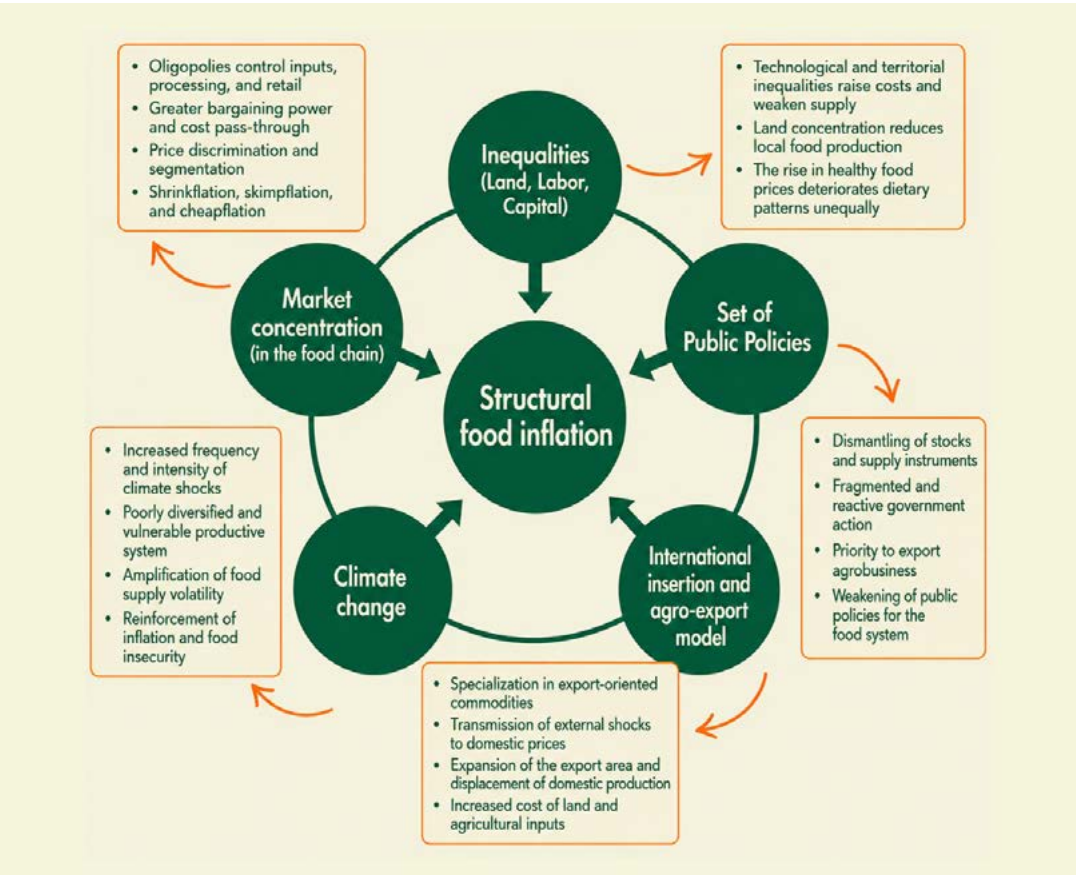
**Structural:** the set of productive, technological, commercial, and institutional correlations that shape how the economy functions and limit short-term choices explains the persistent rise in food prices above overall inflation.

**Specific:** inflation cannot be treated as a universal and homogeneous macroeconomic variable, since it takes on distinct characteristics in each country. In addition, its causes and consequences are specifically rooted in the functioning of the agri-food system.

**Systemic:** several variables act simultaneously on food prices, since the food system is shaped by multiple interrelated factors.

In this context, the main factors influencing food inflation are detailed below.

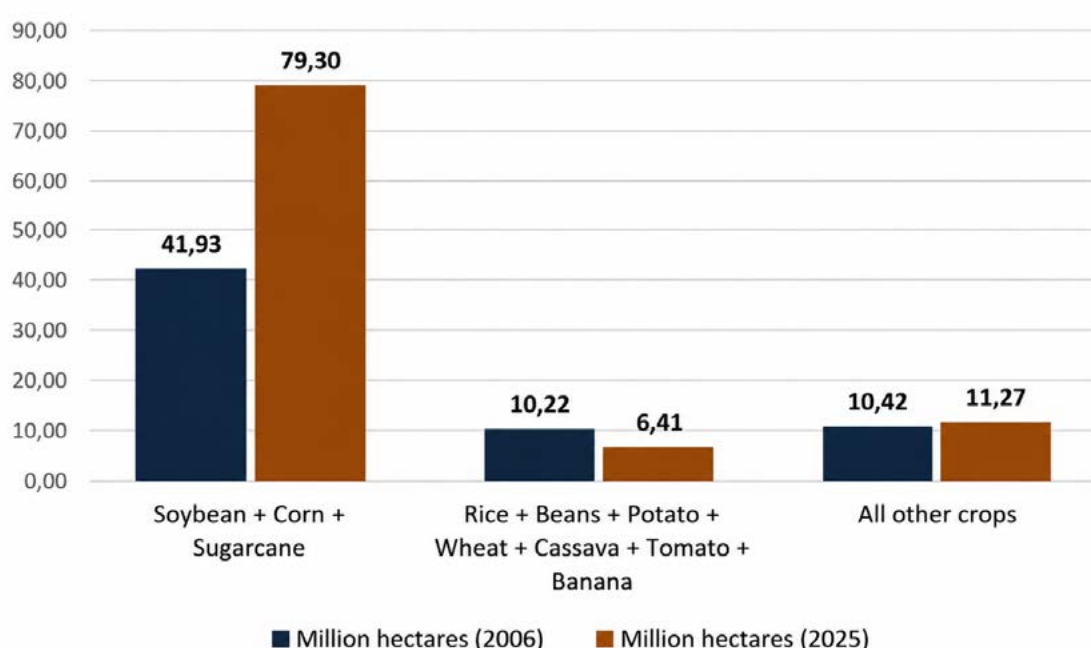
**MAIN FACTORS RELATED TO FOOD INFLATION**



## FACTOR 1: BRAZIL'S POSITION IN THE INTERNATIONAL ARENA AND THE AGRO-EXPORT MODEL

The Brazilian context of accelerated growth in commodity exports over recent decades reveals a structural transformation in land use. In 2000, Brazil exported about 10 million food tons more than it imported. By 2025, that surplus had risen to approximately 192 million tons. This resulted in the allocation of most agricultural land to a small number of crops, such as sugarcane, soybeans, and corn, mostly geared toward producing inputs for ultraprocessed foods, and under the control of transnational oligopolies. As a result, the areas devoted to producing food for direct consumption are reduced, dependence on external factors increases, and cascading effects are generated on the prices of inputs, land, and ultimately food itself.

*Hectares allocated to commodity production versus staple foods in 2006 and 2025. The area allocated to soy, corn, and sugar cultivation is equivalent to the combined territory of France and England.*



This expansion had significant effects on land prices and agricultural input prices, increasing dependence on major transnational oligopolies and raising the cost of foods produced for the domestic market.

## DOLLARIZATION AND FINANCIALIZATION

With the dollarization of domestic prices, even foods not originally intended for exportation begin to have their prices referenced in dollars, and when the Brazilian real depreciates, they become more profitable for exportation, reducing supply in the domestic market. This process puts pressure on domestic prices and contributes to food inflation. Brazil's subordinate integration into global dynamics limits the country's ability to protect its market during periods of instability.

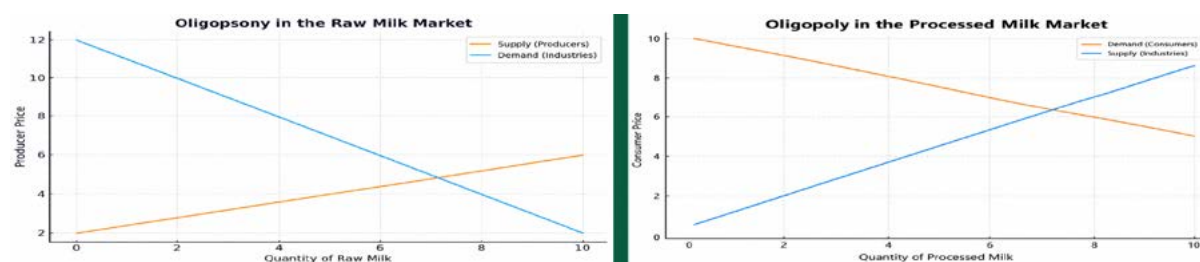
Financialization is also a central element: products such as corn, soybeans, wheat, coffee, and sugar have come to be traded as financial assets, which intensifies fluctuations and widens the disconnection between prices and real production costs.

Moreover, this instability affects producers unevenly: large companies are able to protect themselves through sophisticated financial instruments, while family farmers remain exposed to fluctuations, which compromises the domestic food supply.

## FACTOR 2: MARKET CONCENTRATION IN THE FOOD CHAIN

The food chain is marked by strong inequality and concentration across all its segments. Oligopolies dominate the sector from the plantation to the supermarket. This increases the ability of large companies to influence prices in order to maximize profits.

### Dual concentration in the dairy chain



In the raw milk market, for example, there is currently an **oligopsony**, meaning few companies buy from many producers, which reinforces buyer power. For processed milk, the opposite occurs: there is an **oligopoly** in which a few companies serve many consumers. **Thus, large companies have the economic power to buy from producers at lower prices and sell to consumers at higher prices.**

In the agricultural inputs segment, a few transnational conglomerates control seeds, fertilizers, pesticides, and machinery. In the food industry, concentration is even more pronounced: a small number of large processors account for most revenue, control extensive brand portfolios, and impose technical, commercial, and logistical standards on the rest of the chain. In retail, especially in the supermarket sector, large chains have come to act as central coordinating agents of the food system, using scale, data, loyalty programs, digital platforms, and financial services to widen margins, shape consumption patterns, and transfer risks to consumers and suppliers.

### **INVISIBLE INFLATION: PRODUCT DIFFERENTIATION AND “GOURMETIZATION”**

Other practices that allow large companies to expand margins, acquire new consumers, and unevenly distribute the effects of inflation across different social groups include:

**Shrinkflation:** reducing quantity while keeping the same price.

**Skimpflation:** deterioration in product quality through the substitution of inputs, reformulation, or reduction of more expensive ingredients.

**Cheapflation:** reorganization of product offerings by expanding lower-quality versions aimed at lower-income segments and higher-end, or “gourmet”, versions.

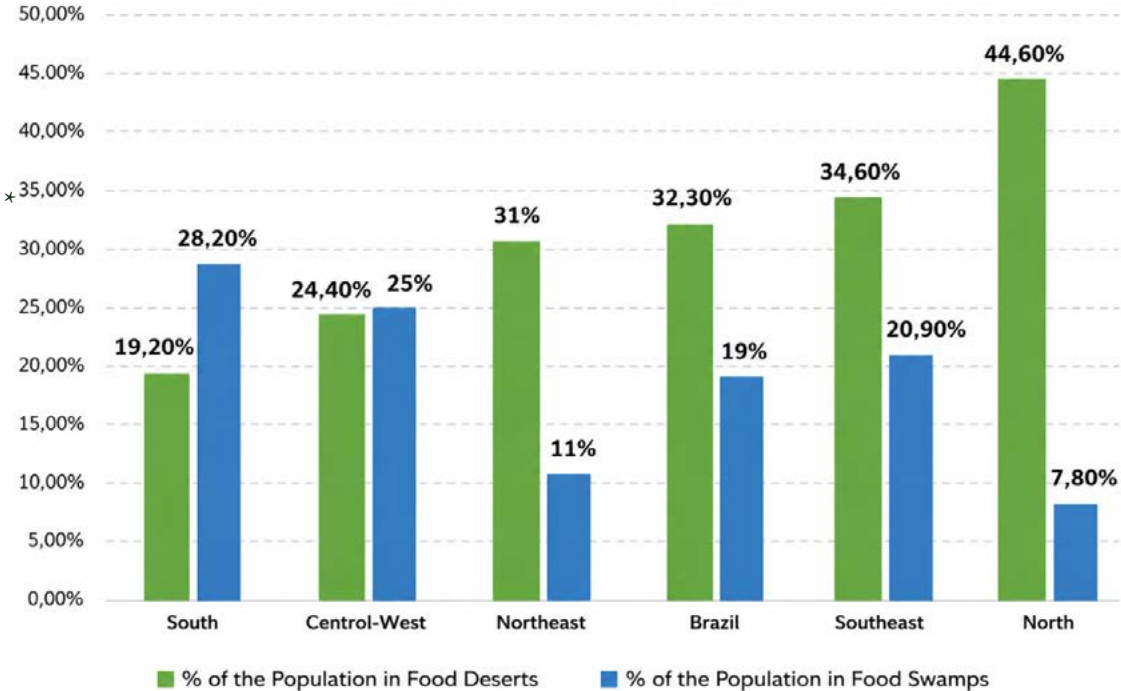
### **FOOD DESERTS AND FOOD SWAMPS**

Food deserts and food swamps reflect structural inequalities in access to food and contribute to specific inflationary patterns, since they represent supply failures associated with the market power of the food industry and retail sector.

**Food deserts:** areas with low availability of fresh and minimally processed foods.

**Food swamps:** places where establishments selling mostly ultraprocessed products predominate.

*Population in food deserts and food swamps*



**FACTOR 3: PUBLIC POLICIES AND FOOD**

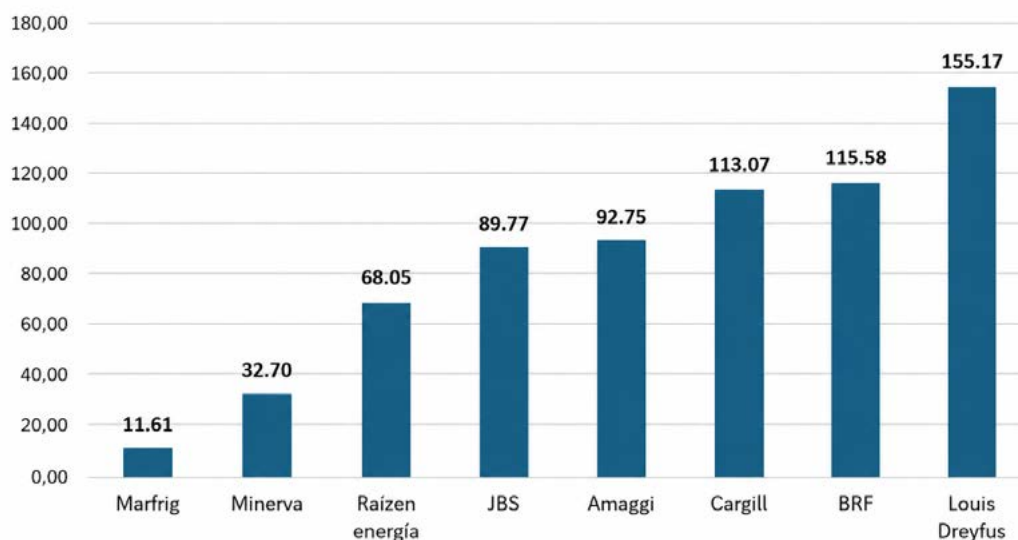
Public food policies should not aim exclusively at increasing consumers’ purchasing power. They must ensure abundance, diversity, and territorially balanced access to healthy, fresh foods, while also guaranteeing decent income and working conditions for producers and workers throughout the food chain. A consistent food policy must articulate accessibility, productive diversity, social justice, sustainability, and food sovereignty, recognizing that socially low prices are only durable when supported by a balanced and inclusive agri-food system.

At present, however, public policies are insufficient to combat food inflation and promote food and nutritional security for the population. In fact, many of the policies currently in place end up favoring major commodity exporters to the detriment of producers focused on food for domestic consumption:

- There is a predominance of policies geared toward commodity production and exports, such as the Kandir Law
- Weakening of Conab and CEASA operations and the depletion of public food stocks
- Disarticulation among agricultural, social, and food supply policies

- Absence of an integrated territorial strategy
- Sanitary regulations that, although necessary, are at times extremely rigid and exclude small producers
- Regressive taxation, meaning it weighs proportionally more heavily on smaller-scale producers, along with financial benefits and credit to large companies

Moreover, tax benefits are granted to large agribusiness companies.



**Instead of acting to absorb shocks, the government has come to act in a reactive and fragmented way, often limiting itself to emergency responses.** This institutional vacuum expands the market power of large companies and transfers the costs of instability to consumers, especially lower-income ones.

#### FACTOR 4: INEQUALITIES IN THE FOOD CHAIN

Food inflation is deeply conditioned by social, territorial, regional, and income inequalities that structure how the food system functions. These are not merely consequences of inflation, but also one of its central explanatory drivers, operating cumulatively and interdependently with the other factors analyzed.

**Income inequality:** lower-income households devote a significantly larger share of their budgets to food, making them more sensitive to price increases. At the same time, income differences allow industry and retailers to operate segmentation and price discrimination strategies that create invisible inflation. The coexistence of popular products and gourmet versions broadens price dispersion and raises average inflation, even though part of consumers remain restricted to the cheaper versions.

**Territorial inequalities:** access to food is profoundly unequal across regions, which raises logistics costs, reduces local competition, and increases the market power of a few establishments. In peripheral and less integrated areas, lower supply density and dependence on intermediaries result in higher prices, less variety, and worse average food quality.

**Inequalities in infrastructure, logistics, and access to public services:** these amplify losses, waste, and inefficiencies throughout the food chain, costs that are passed on to final prices.

**Social inequalities:** the relative rise in the prices of healthy foods compared with ultraprocessed products reinforces poorer nutritional choices among lower-income groups. This trend worsens public health problems and impacts the very structure of the food system. Thus, social inequalities and food inflation reinforce each other in a cumulative cycle.

## FACTOR 5: CLIMATE CHANGE

Climate change has ceased to be an exogenous and episodic factor and has become a structural determinant of supply, costs, and prices in the Brazilian agri-food system, especially because the productive structure is highly concentrated, monotonous, territorially specialized, and dependent on international markets.

Extreme climate events, such as droughts, heat waves, floods, and irregular rainfall, have become more frequent and intense, directly affecting agricultural productivity, livestock production, and food supply logistics. Productive and genetic monotony, associated with specialization in a few commodities, reduces the food system's ability to adapt to climate shocks. In a context of concentrated markets, these costs tend to be quickly reflected on prices, reinforcing inflationary pressures.

**The agro-export model, in turn, actively contributes to climate change: expansion of the agricultural frontier, deforestation, emissions associated with livestock, and the intensive use of chemical inputs intensify global warming. At the same time, this very model makes the productive system more vulnerable to climate effects, creating a double effect: the Brazilian food system aggravates climate change and, simultaneously, increasingly suffers from its impacts.**

# Triple monotony of the global agrifood system

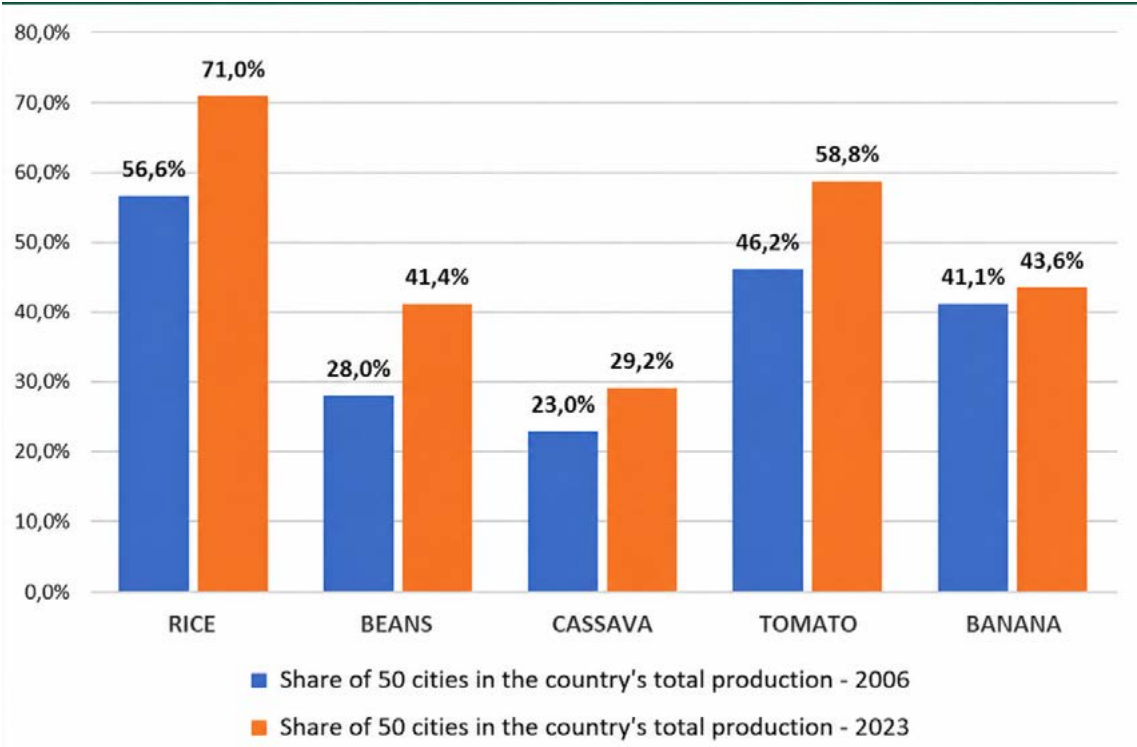
Production, livestock, and diet as vectors of climate, health, and inflationary vulnerability



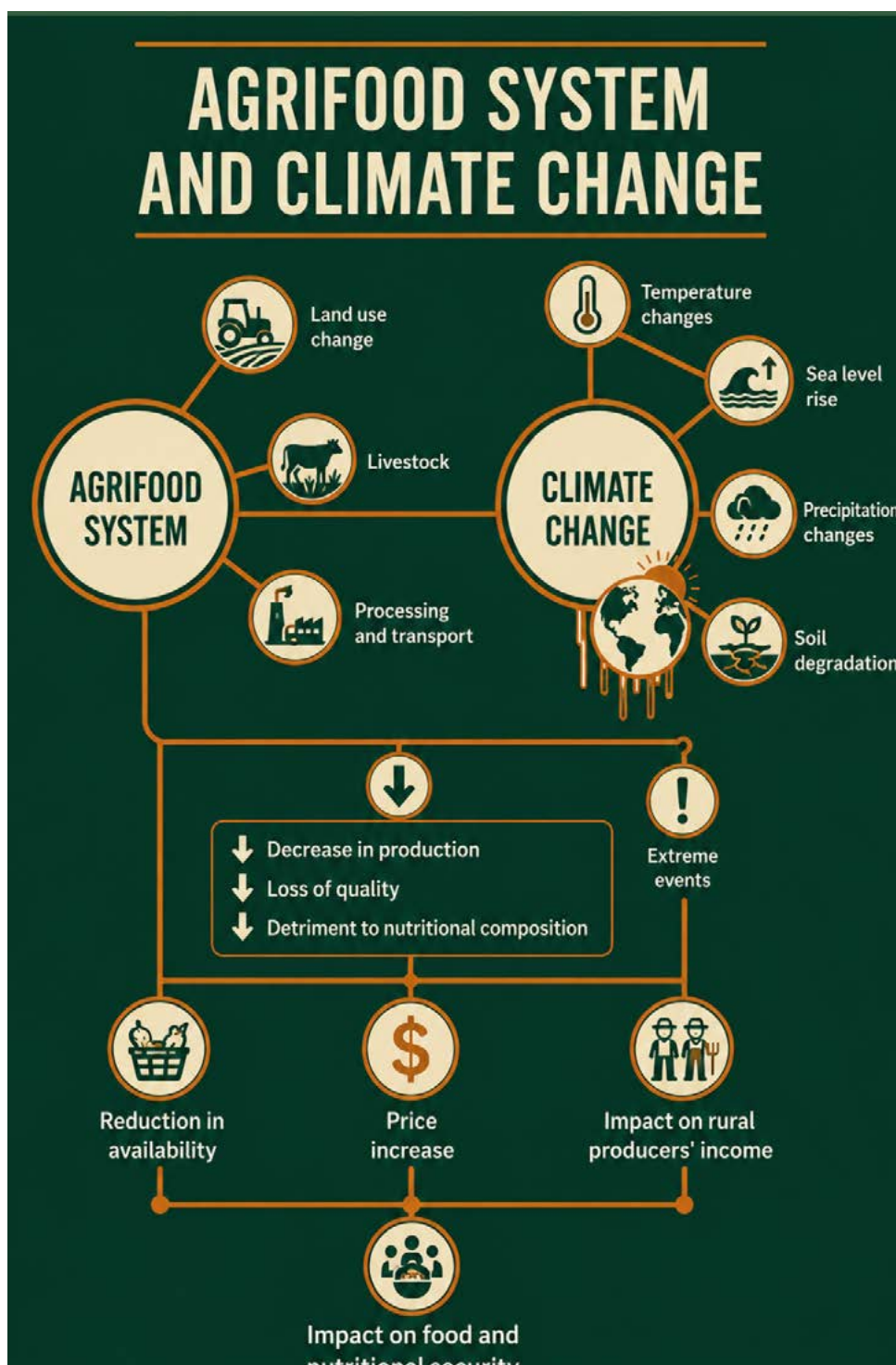
The so-called **triple monotony of the global agri-food system** therefore describes a structural arrangement based on three interconnected dimensions. The first is agricultural monotony, that is, productive specialization in a few crops, with strong dependence on fertilizers and pesticides, biodiversity loss, and lower capacity to adapt to climate shocks. The second is the monotony in animal breeding, which refers to systems based on a few grains, intensive antibiotic use, and expansion associated with deforestation, with growing health risks such as antimicrobial resistance. Finally, the third is food monotony, represented by diets that are increasingly standardized and concentrated around a limited number of commodities.

These three dimensions produce systemic effects. The reduction of biological and productive diversity diminishes the resilience of the food system, while the standardization of diets increases dependence on certain products. The result is greater sensitivity to environmental, health, and economic shocks, with direct repercussions on price stability.

At the same time, there has been a significant increase in the territorial concentration of staple food production. Between 2006 and 2023, the share of only 50 cities in the production of several essential items increased, meaning that a smaller portion of the territory accounts for an ever larger share of the supply of these foods.

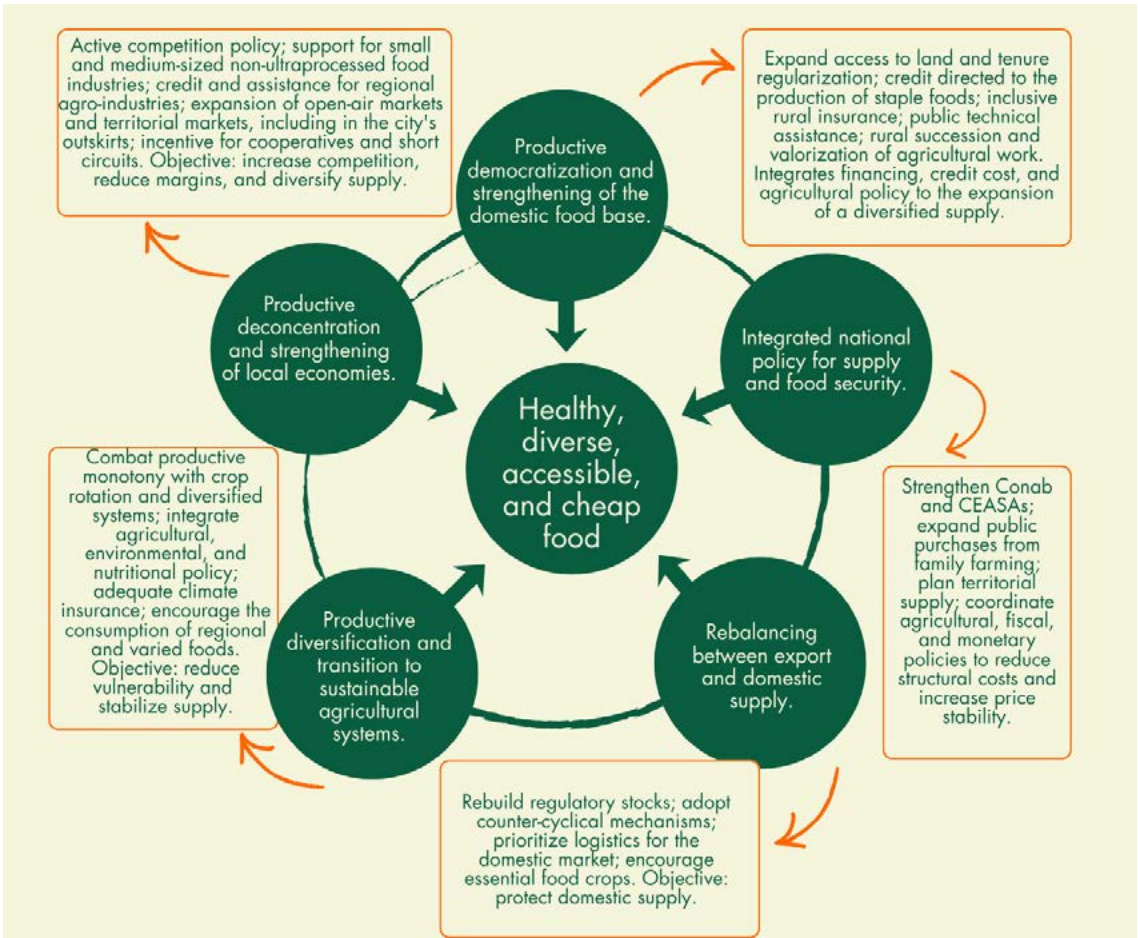


When we consider a context of intensifying climate disruptions, droughts, floods, heat waves, and more frequent extreme events, this structural configuration increases vulnerabilities. Thus, triple monotony is not merely a matter of productive diversity or diet quality, but a mechanism linking climate, productive structure, and inflation. In complex systems, diversity enhances adaptive capacity; homogeneity and concentration, on the other hand, increase risks and turn climate events into economic volatility.



## PUBLIC POLICIES THAT PLACE FOOD INFLATION CONTROL AT THE CENTER

It is necessary and urgent to place the guarantee of healthy food at affordable prices at the center of long-term public policies. Controlling food inflation is not merely a monetary issue, but a political choice that requires technical capacity, institutional coordination, and prioritization of the collective interest in organizing the food system. If inflation is structural, the responses must be structural as well.



The figure synthesizes five interdependent strategic axes oriented toward the same central objective: making adequate, healthy, sustainable, and diverse food more accessible and cheaper.

**Productive democratization and strengthening the domestic food base:** expand access to land, redirect rural credit toward the production of healthy food, especially socio-biodiverse foods, offer inclusive rural insurance, strengthen technical assistance and rural extension, and implement rural succession policies. The aim is to expand diversified supply and reduce structural costs at the base of production, linking financing, agricultural policy, and price stability.

**Deconcentration of production and strengthening of local economies:** an active competition policy, combined with support for small and medium-sized food industries, credit for regional agro-industries, adaptation of sanitary regulations and certification for small and medium-sized producers, expansion of street markets, and incentives for cooperatives and short supply chains to increase real competition, reduce excessive margins, and diversify supply across the territory.

**Productive diversification and transition to sustainable agricultural systems:** address productive monotony through crop rotation and diversified systems, integrate agricultural, environmental, and nutritional policies, ensure adequate financing, direct tax incentives toward the production and consumption of healthy foods, minimize climate impacts, and structure adequate climate insurance to reduce vulnerability to environmental shocks and stabilize supply in the medium and long term.

**Rebalancing exports and domestic supply:** restoring and reconfiguring public food stock formation, adopting countercyclical mechanisms, and prioritizing logistics for the domestic market are fundamental measures to prevent external pressures from disrupting domestic supply.

**Institutional reconstruction and systemic coordination:** modernization and requalification of wholesale markets, requalification and strengthening of municipal markets, expansion of public purchases from family farming, and integration of agricultural, fiscal, and monetary policies to reduce structural costs, improve predictability, and increase price stability.

Controlling structural food inflation means redefining priorities and making food a central part of development strategies. It means deciding whether the food system will continue to be organized primarily around external competitiveness and economic concentration or whether it will be guided by the guarantee of the human right to adequate food. The price of food is not merely an economic variable; it reflects political, distributive, and civilizational choices about the model of society we intend to build.

This executive summary therefore seeks to fulfill two complementary purposes. First, to qualify public debate by demonstrating that food inflation must be understood through its structural axes and national specificities. Second, to clarify the interrelationship among these variables and call on civil society to contribute to improving and coordinating the implementation of existing policies, strengthening their character as state policy, with predictability, continuity, and monitoring.

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