The 2007–08 food price crisis had important negative effects on the poorest households in Latin America. Although the economies of the region were considered stable, the food price crisis severely affected all the countries in the region in terms of inflation, especially food inflation. Net importing countries and poor consumers in peri-urban and rural areas were hit hardest. This paper reviews the options for modeling these price effects and proposes a two-step analysis. The first step examines how shocks in international prices are transmitted to domestic prices, while the second analyzes the welfare impact on households for a given change in prices. The paper also provides empirical estimates for welfare effects at the household level, using a quadratic AIDS estimation, for Guatemala, Honduras, Nicaragua, and Peru. On price transmission, we found empirical evidence that there is transmission from international prices to domestic prices in the case of several food items across the four countries. For some domestic prices, we were not able to find formal evidence of such transmission, perhaps because the impact was overcome by local policies. Our empirical estimations for the welfare effects of high food prices reveal that in Guatemala, practically all households are worse off, and the national poverty rate increased by 0.9 percent (1.0 percent when we eliminate substitutions effects). In Honduras, 10 percent of all households benefited from high food prices, and national poverty increased by 1.2 percent (1.4 percent when we eliminate substitution effects). In Nicaragua, 91 percent of the households are worse off, and national poverty increased 4.2 percentage points (5.2 percent when we eliminate substitutions effects). In the case of Peru, only 3.18 percent of households benefited from the increase of food prices, and national poverty increased less than 1.0 percent (results are unchanged when we eliminate substitution effects). However, these figures mask important differences across groups. For cross-county comparisons, we simulate a common food price shock (10 percent). Under this scenario, when we compare the size of the losses among net losing households, we find that the impact of high food prices is regressive in urban areas of all four countries. The poorest households in urban areas thus suffer the most when we measure their losses relative to their total expenditure. We find a similar, though less marked, pattern in rural areas. Finally, when we compare impacts across countries using a common 10 percent price shock, we find that, on average, the largest losses were felt in rural Peru (4.4 percent) and urban Nicaragua (3.7 percent). The smallest average losses are found in Honduras, where losing households suffer a 2.9 percent reduction in their expenditures, on average. The empirical evidence highlights the need for a transfer-based strategy for the extreme poor, but this is a stop-gap solution: only a targeted investment approach will permanently reduce the vulnerability of the poor to a food price crisis.