

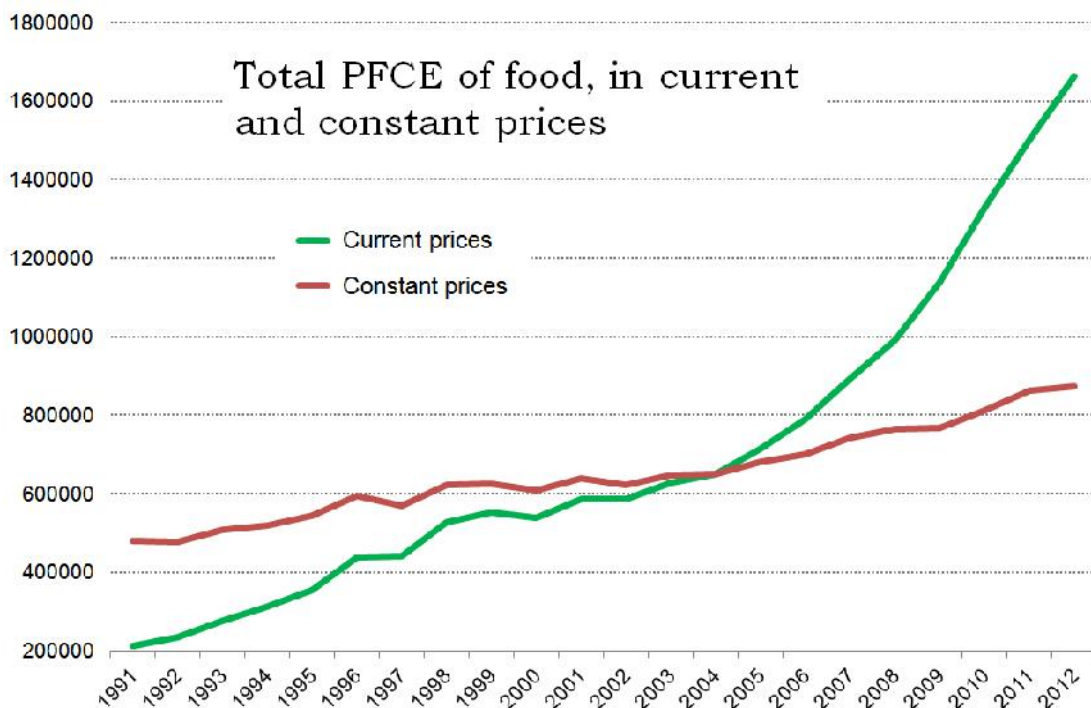
How Food was Moved to the Margins of the New Household Budget

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Whether rural or urban, households in India are spending less on food staples compared with what they are spending on other weekly and monthly essentials, and evidence of this trend emerges through an enquiry into private consumption expenditure.

What the [Central Statistical Office](#) compiles as 'private final consumption expenditure' is typically described using enormous figures, for this is the expenditure incurred by households (all households) on goods and services they purchase (or produce) during the year. In 2011 there were 168 million rural households and 80.3 million urban households. The PFCE describes their combined purchases of food, services, fuel and other major items, expressed in tens of thousands of crore rupees.

This aggregate purchase is expressed in both current prices and constant prices. The constant prices are (for now) based on the financial year 2004-05. While current prices are the prices paid for goods and services by households in any year of the series, constant prices are the effort of the CSO (and allied organisations that provide and process such data) to adjust the effects that price inflation has on our understanding of the relationship between prices paid for the same goods in different years.

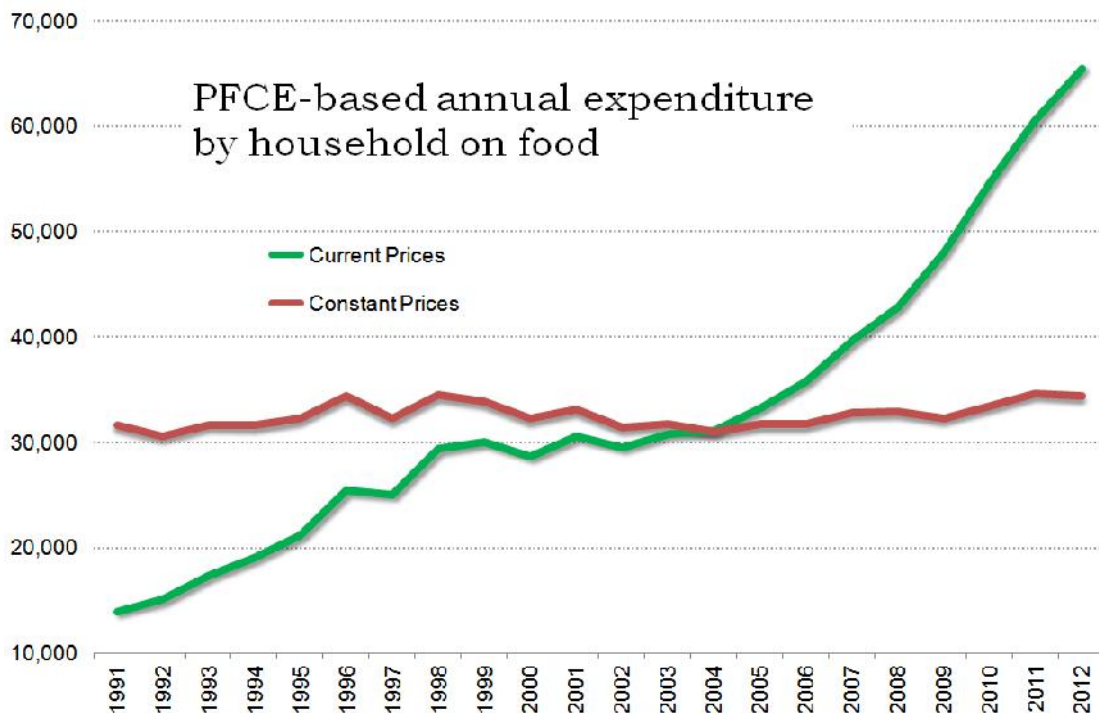


The upward rise seen in these measures of consumption is typically presented - whether by industry, by the capital markets or by agencies of the central government - as evidence that (a) more is being consumed by households at an accelerating rate, (b) that there are goods and services aplenty to constantly fuel such rising rates of consumption, (c) that all these upward curves taken together symbolise both the

strength of the Indian economy and the depth of its markets, and (d) that the sort of policies, incentives, and fillip given to major industry and services sectors are therefore vindicated by the shape of the data.

The category of food occupies a large portion of the total PFCE - 35% of the total as 'food, beverage and tobacco', and just under 29% of the total as food alone (this includes the sub-categories cereals and bread, pulses, sugar and gur, oils and oilseeds, fruits and vegetables, potato and other tubers, milk and milk products, meat, egg and fish, coffee, tea and cocoa, spices, and other food). Chart 1 shows the upward trend, from 1991 to 2012, in the PFCE on food in current prices, whose slope became steeper from 2004 and still steeper from 2008. Constant prices have risen too, more sedately, but still quickly enough to have been, in 2012, 40% above what they were ten years earlier.

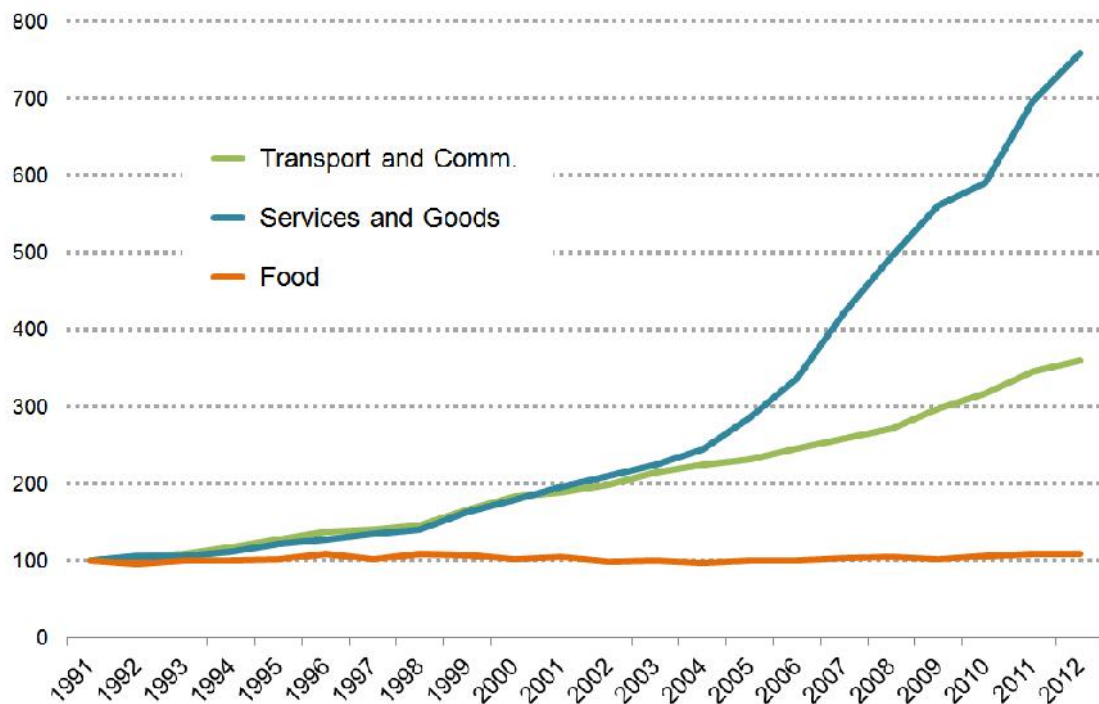
These totals, whether expressed as current prices or constant, are also indicators of how household budgets allocate expense to staple goods and services. When these annual figures are distributed amongst the number of households (provided by Census data for 2011, 2001 and 1991), we find a new window opening onto the under-researched area of how households in fact spend their monthly and annual budgets over time, an important area that is obscured by the drumbeat calling for continuous economic growth. Chart 2 shows both trendlines, in current prices and in constant prices, of expenditure by households on food.



For the duration of 1991-2012, households have in terms of constant prices spent more or less the same - per average household - on food. This is the message of the constant prices trendline for household consumption expenditure on food, and it is a message that has very serious implications for agriculture and food policy, the provision of food and the ability of households to spend what they need to on food staples. The current prices trendline rises (the two lines cross at 2004-05) in four

phases: 1991-96, 1996-2004, 2004-08, and 2008-12 with each phase showing current prices behaving in a different manner.

Faced with this evidence, the question is: when the household measure is applied to PFCE categories or groups, do these other categories or groups follow a similar or dissimilar pattern? Chart 3 combines three trendlines: using constant prices, household consumption expenditure on food, on transport and communication, and on miscellaneous goods and services. These are the two PFCE groups which, next to 'food, beverage and tobacco', are the largest contributors to total PFCE (each accounts for about 17% of the total). The prices in this case are indexes with 1991 as the base.



What the trendlines in Chart 3 describe are that (a) the behaviour of the food trendline is different from the other two large contributors to total PFCE, (b) that the transport and communication, and services and goods trendlines followed a shared slope in two phases from 1991-98 and then from 1998-2004, and (c) that services and goods from 2004 onwards rose much more steeply.

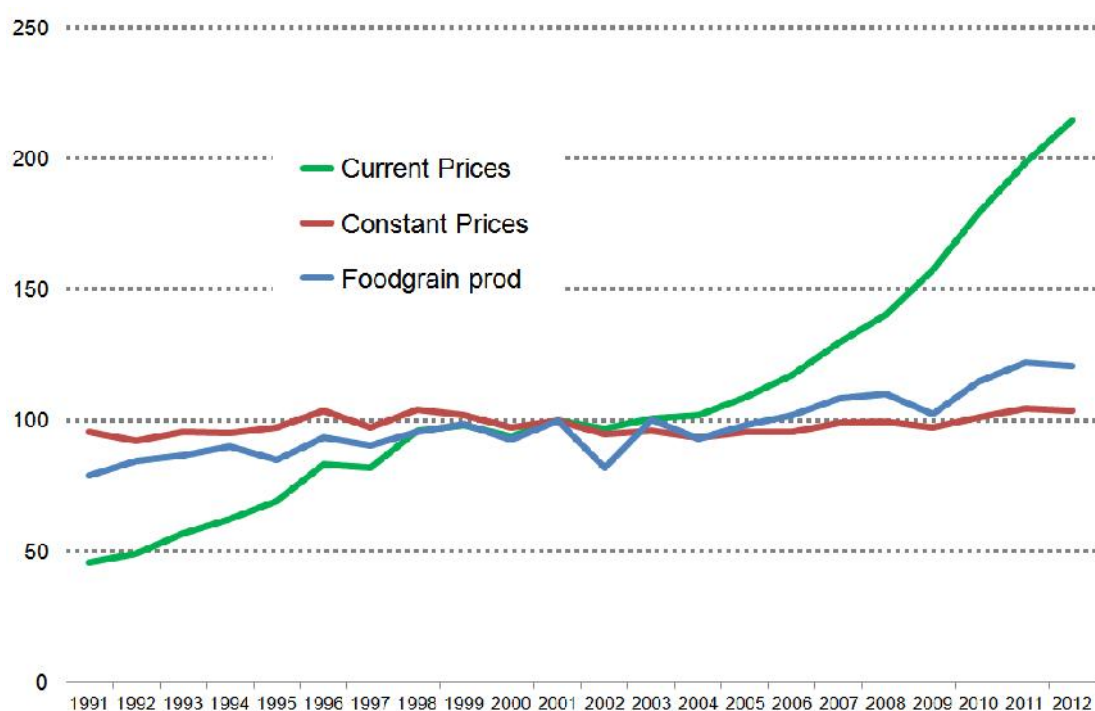
There is one more consideration, and that is of the quantity of foodgrain on which these households depend for their meals every day. Chart 4 shows where a connection may lie between the evidence of relatively flat household PFCE on food in constant prices, and the relative real availability of foodgrain. Here there are three trendlines: the average household's annual PFCE on food in current prices and in constant prices, and total foodgrain production (from the Department of Agriculture and Cooperation, Ministry of Agriculture).

The trendlines are indexed to 2001, which is the midpoint of the annual series 1991-2012. Seen here is the overall similarity in movement between the food trendlines and the household constant expenditure trendline. The household current prices trendline reflects major deviations just as the two others do (see 1996, 1997, 2000 and 2002)

but only until 2004. Thereafter the household current prices trendline behaves differently and separately whereas the other two still exhibit empathy.

This evidence points directly to a very grave systemic crisis that is continuing concerning the place of food consumption in household budgets. As Chart 1 shows, the annual expenditure of the 'average' household on food - derived from the CSO's private final consumption expenditure - was Rs 65,470 in 2012.

However, annual household consumer expenditure on food has in constant prices remained relatively flat for the entire period while total foodgrain production has continued to increase (although at a slowing pace) over the same period. The corollaries are that consumption by some quarters of the household population has held the 'constant prices' level to where it is. In which income categories has an increase in the real consumption of food taken place? And how much of the population, both rural and urban, lie below the averaged prices, whether constant or current?



Census 2011 tallied 168 million rural households and 80.3 million urban households. Within these there were some 13.9 million slum households, 41.5 million scheduled caste households and 21.3 million scheduled tribe households. Within the broad and decidedly non-homogenous labels of rural and urban are also income fractiles: the 68th Round of the [National Sample Survey](#) uses 12 fractiles for both rural and urban.

Within the fractiles, the 12th fractile for rural residents (those whose MPCE is more than that of 95% of rural residents) spent - on all goods and services, including food - more than twice as much as those in the 80%-90% range and almost four times as much as those in the 40%-50% range. Likewise, the 12th fractile for urban residents spent more than three times those in the 70%-80% range and those in the 11th urban fractile (MPCE more than 90% of urban residents) spent almost three times as much as those in the 40%-50% range.

With the average household in 2012 having spent about Rs 65,500 a year on food (using the CSO's PFCE data) the separation, on the basis of expenditure, of consuming individuals (the NSSO's monthly per capita expenditure data) helps determine what section of total households contributed more to the CSO total, and what section fell short. For rural households, the average is out of the reach of all but the top 10% of households by consumption expenditure. For urban households, the average is surpassed only by those above the 60% mark of households by consumption expenditure. Moreover, the top 10% of urban households by consumption expenditure spent, annually, about Rs 1,07,000 on food which is much above the PFCE average and this difference helps reveal the great inequalities that lie behind overall patterns of food consumption.

This is a warning of the most serious nature. Food PFCE is a signal of a number of problems that have their causes in how the industry of food and agriculture exploits the policy encouragements given to GDP growth and to simplistic higher levels of consumption expenditure. Even with its shortcomings - the PFCE does not tell us about quantities, nor is it equipped to indicate the necessity of an agro-ecological approach to cultivation and food distribution - this measure alerts us to what households in the middle and lower levels of consumption expenditure categories are likely to be buying and eating, and the resulting insight has a bearing on public health, the adequacy of nutrition, non-communicable diseases, and about the strengths or weaknesses of local cultivation and distribution of food.

On all counts of food consumption - price, affordability, culturally and environmentally sound diets, nutritional adequacy - the indication is that a huge number of households are wanting. Based on this reading of the food PFCE, about 151 million rural households and about 48 million urban households are experiencing food insecurity in one or several forms. The constant calls by agencies of central and state government and by industry associations to hasten GDP growth stand in stark contrast to the ground truths of food consumption by the great majority of our population.

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