You are what (and where) you eat:
Accounting for food away from home in Peru

By Gabriela Farfan, Maria Genoni & Renos Vakis

While food consumed away from home (FAFH) represents an increasing share of food consumption around the world, and will continue to do so as GDP per person grows and food systems evolve, the majority of household surveys collect very limited information on FAFH patterns. A report that reviews the most recent nationally representative household survey in each developing country finds that, even when setting a minimum reliability criteria that falls well below optimal data collection standards, only 42% of the surveys pass this bar (Smith et al. 2014). The implications that this has for poverty and inequality measurement are far from clear and the direction of the change - if any - cannot be established a-priori. In a new paper that just came out in the World Bank WP series, we explore the impact that improving measurement of FAFH can have on our understanding of poverty and inequality in the case of Peru.

WHY PERU?

In Peru, FAFH is widespread and increasing. By 2013, the average Peruvian household spent 27 percent of their food budget on FAFH. In addition, Peru is among the few countries that collect high-quality data on FAFH. Since 2004, the National Statistical Office (INEI) has been collecting detailed information on FAFH as part of its national expenditure survey (ENAHO), which serves as the basis for poverty measurement. The survey includes information on the number of meals per week, the type of establishment, the type of meal and the cost – all reported by the individual respondent. This provides us with the perfect setting to study the role that FAFH plays in poverty and inequality measurement.

WHAT DO WE DO?

Comparing poverty estimates with and without FAFH

Following the official poverty methodology, we simulate a baseline scenario where FAFH is not accounted for, and compare the results to a world where it is. FAFH affects the poverty estimate in two ways: the direct impact on measured expenditure or consumption, and the impact on the value of the poverty line. Because these two effects may or may not go in the same direction, the overall effect will depend on the magnitude and direction of each.
In the case of Peru, we find that extreme and moderate poverty change dramatically but in opposite ways. Extreme poverty is significantly higher once FAFH is accounted for, an effect that results from the higher calorie cost of FAFH relative to home-made meals, which increase the poverty line more than the increase in household consumption. By contrast, moderate poverty is significantly lower when FAFH is taken into account, driven by the increase in measured household food expenditures. The magnitudes are substantial. In 2010, extreme poverty rates are 18 percent higher while moderate poverty rates are 16 percent lower.

Consumption Inequality

Finally, while absolute magnitudes of FAFH tend to increase with household resources, the budget share devoted to FAFH follows the opposite pattern. Indeed, we find that consumption inequality falls once FAFH is accounted for, though the impact is not statistically significant from 2012 onwards.

Re-classification of poverty status

We also find something unexpected: not only the number of poor individuals change, but WHO is poor! Basically, accounting for FAFH results in a re-ordering of households along the expenditure distribution. In Peru in 2010, about 20 percent of the extreme/moderate poor ‘escape’ poverty once FAFH is accounted for.

This change is not trivial: it actually has a significant impact on the profile of the poor. For example, consistent with increasing FAFH as resources increase, income per-capita is significantly lower and fewer household members are employed among those classified as poor when FAFH is accounted for, relative to when it’s not.

Ongoing Research: Meals Content

While we know how much is spent on FAFH, in Peru we still have no information on the content of the meal, and therefore the caloric and nutritional value. This means that INEI needs to make some educated assumptions when they calculate the poverty line (in terms of how many calories a given FAFH meal has) or do conversions of FAFH expenditures into calories.

To improve this information gap INEI, in collaboration with the World Bank, designed and implemented a survey of a representative sample of nearly 1,800 food establishments in Metropolitan
Lima, stratified by 5 socio-economic strata. For each establishment, detailed information on the meals most frequently consumed at lunch was collected. This gives us actual versus estimated values of caloric and nutritional value of FAFH meals.

We therefore use this information to recalculate poverty lines using this new information on meals from the restaurant survey. Preliminary results suggest that the current poverty methodology significantly underestimates calorie content. Updating this estimate shifts the poverty line downwards, and therefore poverty rates go down.

**Poverty and proper accounting for meal content**

**Peru 2010**

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<thead>
<tr>
<th></th>
<th>Extreme poverty</th>
<th>Moderate poverty</th>
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<tbody>
<tr>
<td>Official</td>
<td>7.6</td>
<td>30.7</td>
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<tr>
<td>Updated</td>
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<td>27.19</td>
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**MOVING FORWARD**

Given how few countries in the world include FAFH properly in their surveys and our results, while collecting information on FAFH raises a number of methodological challenges, further research and replication in other settings to establish best practices on what information to collect and how best to collect it in household surveys is badly needed.

**References**
