
UNIT 1 HOW DO WE SPEND OUR FOOD MONEY

In Course II you have studied about the recommended nutrient intakes. It is very important to know about the income and the amount of money you can spend on food to ensure proper health. In this unit you will learn about food budgeting, i.e. how to spend money wisely on food items so that the necessary nutrient requirements are met keeping in view the individual's taste and temperament.

Structure

- 1.0 Objectives
- 1.1 Introduction
- 1.2 Food Expenditure
- 1.3 Factors Influencing Food Expenditure
 - 1.3.1 Income
 - 1.3.2 Food Price and Quantity
- 1.4 Food Budgeting
- 1.5 Preparation of Food Budget
- 1.6 Let Us Sum Up
- 1.7 Glossary
- 1.8 Answers to Check Your Progress

1.0 OBJECTIVES

After going through this unit, you should be able to

- comment on food expenditure of different income groups,
- realise the relationship between food price and food expenditure, and
- independently prepare the food budget for a given group.

1.1 INTRODUCTION

Food is the most important and basic requirement for survival. Foods come to us in different forms. They can be classified into two major groups based on their importance.

- a) Foods which provide the basic material for our energy needs
- b) Foods which supplement the items in (a) above.

In group (a) we include commodities which provide energy for our daily living. The commodities like rice, wheat, jowar, bajra, ragi, pulses (dals and grams of different types), basic edible oils, etc. can be grouped in this category. Remember that these commodities are so important that you cannot survive without these items. Your consumption of these items will not depend upon whether your income is high or low, whether you live in the east or the west, whether you belong to one social group or the other. You select one or more commodities in this group depending upon your taste and preference, income etc. But, basically you have to consume them for your survival.

In group (b) we can include a number of other commodities which you consume as food. Commodities like milk, vegetables, meat, eggs, fish, fruits, sugar, etc., can be grouped in this category. They supplement the items listed in (a) above. From the nutritional point of view, these foods are also important to us but they are not as basic for our survival as the ones in group (a). Your consumption of these commodities

depends largely upon your income, taste and preference, food habits, the place you live in and to a large extent the price you have to pay for these commodities. The importance of these commodities in your diet will also depend upon age, sex, health, the type of work you do and your likes and dislikes.

Now you understand that there are a number of commodities which constitute 'food' and the importance of each commodity is different. Remember that there are other items too which can be called food but they use the commodities listed above in their preparations. For example, in bread you use wheat, in ice creams you use milk and sugar, etc.

In addition to the above, you also use spices and condiments to add taste to your food. Chillies, coriander, turmeric, cardamom, etc., are some examples.

Check Your Progress

- 1 What are the two groups into which foods can be classified ?
Give the basis for this classification.

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- 2 List at least ten food items falling in the different groups mentioned in question (1) above

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1.2 FOOD EXPENDITURE

The money which you spend on buying your food items can be called food expenditure. Your expenditure on food may also come from other sources and not necessarily from you. For example, you may get some food items as gifts (say rice or wheat grown on

your family farm in your village) or you may grow them in your garden (like vegetables). Sometimes, Government policies like subsidies also help you spend less money on foods.

As you have seen earlier, consumption of food is important for our survival. Hence, expenditure on food forms the most essential item in our total expenditure. The amount of money spent on food depends upon the food items consumed. You have already learnt that different people consume different food items and hence their expenditure on food will also be different.

1.3 FACTORS INFLUENCING FOOD EXPENDITURE

1.3.1 Income

It will be easier to understand and evaluate the amount of expenditure on food when you classify consumers into different classes of income earners.

Let us take the case of those who belong to low income groups. In popular terms, they are called poor people. Though their income is very low, they have to eat some food to live and without food they cannot think of earning even that low income. Their requirement of energy is the same as the energy requirements of others in their age group. Hence, they have to spend most of their earnings on basic food and as a result they have to select cheaper items. Food articles like wheat and rice are considered to be superior than other grains like bajra, ragi and jowar which are usually called coarse cereals. Even within rice, you have coarse varieties and medium and fine varieties. The cost of buying these commodities will vary because you pay different prices when you buy them. Similarly, there are other items of food which are available at cheaper rates like jaggery instead of sugar which is more costly. There are also cheaper varieties of meat, fish, etc., available in market. However, people in the lower income groups have to spend a large part of their income on food items. They are, therefore, left with very little money out of their income for expenditure on other items.

One important factor you should remember about food requirement is that a child or an adult requires the same amount of calories whether he/she is in the higher income group (rich) or lower income group (poor). Hence, commodities in the food group (a) especially the food grains like rice, wheat, jowar, etc., are also referred to as wage goods, since a major portion of the wages of the lower income groups are spent on the consumption of these commodities.

The pattern of expenditure on food by the people in the middle income group will be a little different from that in the lower income groups. Because of a higher income they can afford to buy food articles which are better in quality, appearance, package, etc. Though the requirement of calories is the same for people in this category, they try to fulfil this requirement by consuming better quality of food. In this group you often see people buying fine cereals like rice and wheat. They consume more vegetables, more milk, better quality of meat, fish etc., depending upon their taste. Another important feature of this group is that people are left with more money for their expenditure on other items of necessity. Hence, you see them living in better houses, using transport facilities, wearing better clothes, sending children to good schools for education, spending money on recreation, entertainment, etc. Hence, you observe that as a person moves up the ladder in the income group, the proportion of his expenditure on food in his total expenditure will fall.

You will be able to observe a similar trend in spending on food items by people who belong to high income groups (popularly called the rich). Their expenditure on food items forms a very small fraction of their total spending. You may also see them consuming the best quality of food available in the market. They will supplement their food consumption with commodities whose prices are high. A major portion of their income will be on ostentatious goods (like posh houses, cars, ornaments, etc.). To sum up, the amount of money spent on food increases with increase in incomes of the people, but the proportion of expenditure on food in the total expenditure falls as the income increases. This leads to an important character of demand for food items, i.e. as the income of a person increases, the extent of increase in the consumption of food is much less than the extent of increase in his income. Thus the income elasticity of demand for food is low.

 Check Your Progress

3 What do you understand by food expenditure ?

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4 What is the change in the ratio of income and expenditure on food items as the income increases or decreases.

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1.3.2 Food Price and Quantity

In addition to the income factor influencing the expenditure on food within a given income group and the total expenditure on food, prices of individual food items determine the pattern of our consumption. Many of the food items you consume can be substituted for one another. Rice for wheat, tea for coffee, different vegetables, milk from cow and buffalo, etc., are good examples of such substitutes. If the price of one commodity in a group is high, you tend to buy another commodity which gives you the same service (utility) and which is cheaper. Technically this is the type of effect called a high cross elasticity of demand. This factor is very important when you plan your expenditure on food and also to determine how much money you spend on each food item.

Above all, the price you pay for the food items you buy and the quality and quantity of these commodities you buy will determine your total expenditure on food. In case of those food items we listed in group (a) earlier, you will not be able to make much alterations in the quantity of commodities you consume (though you may alter the quality) because they are important for your living. So, whether the prices of commodities in this group are high or low, the quantities consumed will not change much. This phenomenon is referred to as a condition of inelastic demand. This means that the extent of change you can bring about in the quantity of a commodity you consume is much less than the extent of increase in the price of the commodity which causes such a change. The reverse is also true.

It is also clear from the foregoing discussion that food articles in Group (b) are not subject to such rigid behaviour patterns. You may increase or decrease the level of your consumption of these commodities depending upon the price you pay for them. The best examples that you can find of such types in your daily consumption are those seasonal vegetables like cabbage, cauliflower and many others which are cheaper during winter. You tend to consume more of them. During summer, they will be sold at higher prices and hence, you do not buy them. In the case of fruits, apples are more easily available in winter and mangoes in summer, etc.

So you see that the expenditure incurred on food depends upon:

- Your income
- Your tastes and preferences for different types of food
- The extent of substitutes available for the food you consume
- The price you pay for the food items you consume.

Activity

Select five people each from three different income group residing near the place where you live. Collect data from them on different items of their expenditure in the format given below. Calculate the percentage of income spent on different expenditure heads and record the differences you observe on the percentage of income spent on food in the three income groups.

PROFORMA

Expenditure incurred for the month of

1 Name

2 Number of people in the family

3 Income of the family for the month (Rs.)

4 Expenditure incurred during the month

Item	Amount spent by respondent (in Rs.)					Average amount spent by each respondent (Rs.)
	1	2	3	4	5	
1 Food and Provisions						
2 Vegetables						
3 Meat, Fish, Eggs						
4 Milk						
5 Fruits						
6 Total of (1) to (5)						
7 House rent						
8 Electricity						
9 Medical expenses						
10 Payment to servants						
11 Expenses on Childrens' Education						
12 Entertainment						
13 Newspapers and Magazines						
14 Others						
15 Total expenses						

Hint: You may select five people (respondents) from each of the following income groups.

- a) Rs. 750/
- b) Rs. 1500/-
- c) Rs. 3000 or above (per month)

1.4 FOOD BUDGETING

What is Budgeting ? A budget is simply a statement of income (earnings) and expenditure (spending). Your earnings may come from different sources. These may be in the form of salaries, interest earnings, gifts, sale of assets, sale of produce (in the case of producers), etc. Income from different sources may materialise at different periods. So also, there are different avenues for expenditures. Expenses on your consumption needs, housing, clothing, medicines, special occasions, etc., will have to be incurred at different points of time. A good family is one which plans its expenses in such a way that they are incurred at the time when incomes are earned. Hence a budget always goes with a plan.

What is a plan and what is its relevance to your daily life ? Any act of yours which is thought of well in advance before it is actually performed can be termed a plan. A plan thus involves a detailed thinking about your needs for the present and the future, your ability to fulfil these needs (in terms of money, age, physical capabilities, etc) and how best you can achieve your needs with the least cost and trouble to yourself. The best example of such a plan in your daily routine is what best you can do for your children's education, their marriage, your life after retirement, etc. You will have to plan well in advance for such occasions because these involve high expenditure which are beyond affordable levels. Hence, a plan is basic to whatever you do and making arrangements for money to achieve these plans is what you call budgeting.

What is food budgeting and how does it help us ? You have already seen earlier in this unit on food expenditure that there are different commodities which you consume to meet your food requirements. Within each group of food items there are a number of commodities. For example:

Food grains	:	Wheat, rice, jowar, bajra, ragi etc.
Pulses	:	Gram, urad, moong, etc.
Edible oils	:	Groundnut oil, mustard oil, palm oil, coconut oil, etc.
Sweetners	:	Sugar, jaggery
Beverages	:	Tea, coffee, fruit juices, etc.
Vegetables	:	Potato, onion, tomato, cauliflower, cabbage, beans, greens, etc.
Fruits	:	Apples, oranges, grapes, mangoes, etc.
Others	:	Meat, fish, egg, mushrooms, etc.

In addition to the above you find a number of spices and condiments to add to your taste. In the present days, a number of fast and ready-to-eat foods are also available in the market. These foods form a very good supplement for the foods prepared at home. They also save the housewife a lot of cumbersome procedure at home.

As you already know there are a number of alternative commodities which are available to fulfil your family requirements of different foods. Hence, it is very important to plan well your purchases of food items keeping in mind your income, the prices you have to pay, the quality of the commodities available, your taste etc.

1.5 PREPARATION OF FOOD BUDGET

A family comprises of children, adults and the aged. The requirement of each member of the family will be different. The requirements of an individual also change at different periods of time. Persons in each group have the need of carbohydrates, proteins, vitamins, minerals and other nutrients. These nutrients are supplied by a large number of food items available. If you observe a little keenly, you see that some food items are available only at certain periods of the year (for example, mangoes around summer) and some other foods may be available throughout the year, but will be cheaper at particular times (for example, vegetables during winter) Your intelligence lies in meeting your requirements of nutrients (which are usually stable throughout the year) with minimum expenses. This involves a careful selection of

different items available to meet these requirements at different points of time.

Before actually preparing a budget, you should thus ascertain the different food items available and the prices at which they are available. This will help you to prepare a good food budget commensurate with your incomes.

Let us examine how the price changes for a commodity during the year. Here is a price index table.

A price index is a system of expressing the current price as a percentage of base price. (Table 1.1).

Table 1.1 Seasonal indices of month end (wholesale prices)

Wheat (Uttar Pradesh)		Rice (Andhra Pradesh)	
Month	Price index	Month	Price index
April	88.33	November	96.81
May	93.05	December	91.51
June	89.96	January	94.01
July	92.19	February	97.33
August	93.41	March	96.51
September	95.06	April	97.91
October	95.27	May	98.88
November	103.19	June	106.51
December	107.14	July	109.54
January	113.97	August	104.31
February	114.53	September	103.72
March	113.93	October	102.91

Courtesy:— "Agricultural Price Policy in India" by A.S. Kahlon & D.S. Tyagi.

Example for Price Index:

If the price of wheat is Rs. 120/- Quintal in 1970 and Rs. 180/- Quintal in 1975 and your base period is 1970.

Then the price index of wheat is worked out as follows:

1970 base price : Rs. 120/-
Current price : Rs. 120/-

$$\text{Index} = \frac{120}{120} \times 100 = 100$$

1975 base price : Rs. 120/-
Current price : Rs. 180/-

$$\text{Price index} = \frac{180}{120} \times 100 = 150$$

You see from the table 1.1 that wheat is cheapest in April and costliest in February. Rice, on the other hand is cheap during December and costlier during July-August. This is because, wheat is harvested and sold in the market during April-May and Kharif rice is brought to the market for sale during November-December. So, the commodities are available at the cheapest rates during their harvest season. This is true of most of the food commodities grown in land. The exceptions to this are the plantations and the crops which undergo processing before use. Hence, you see in the market that vegetables are cheap in winter, mangoes are cheap during months nearing summer, etc.

When you plan your budget for food, you should take these factors into consideration. Only then will you be able to fulfil all your nutrient requirements of your family at the lowest cost possible. There is another important thing about purchasing food. That is, the price you pay depends upon the quantity you buy. For example, when you buy just one banana you pay about 30 paise, whereas if you buy a dozen you will get the same for Rs. 3.00 i.e. it will have cost you only 24 paise each. So also, if you buy the commodities in bulk (like rice, wheat and others which do not spoil), you can bargain for lower prices or you may buy the commodities directly from a wholesale trader.

Now let us draw out a format for a family food budget for one year. You should remember that some of the items may be bought in bulk and stored so as to use them for longer periods. So also, you have to change the commodities you buy depending upon the season.

Food Budget for the Year

Items	January		February		March		April		May		June	
	Q	A	Q	A	Q	A	Q	A	Q	A	Q	A
1 Rice												
2 Wheat												
3 Suji												
4 Besan												
5 Gram												
6 Urad												
7 Moong												
8 Edible oil												
a) Groundnut oil												
b) Mustard oil												
c) Palm oil												
d) Coconut oil												
e) Other vegetable oils												
9 Salt												
10 Sugar												
11 Jaggery												
12 Coconut												
13 Copra												
14 Coriander												
15 Dry chillies												
16 Tamarind												
17 Cashewnuts												
18 Kismis (dry grapes)												
19 Others												
20 Ready-to-eat foods												
a) Ketchups												
b) Jams												
c) Bread												
d) Baby foods												
e) Biscuits												
21 Beverages												
a) Coffee												
b) Tea												
c) Others												
22 Milk												
23 Egg												
24 Meat												
25 Fish												
26 Vegetables												
27 Fruits												
28 Milk products												
a) Butter												
b) Ghee												
c) Cheese												
Total												

Q = Quantity A = Amount of Money

Preparation of such a statement shown above will help you know what has been your expenditure on various food items in the previous months and what best you can do in the next month about your expenses on food. This will also give you an idea about where you have overspent by either consuming more or paying more, whether your family has been able to obtain all the needed nutrients or not.

To sum up, the preparation of a food budget will help you in buying the most essential commodities needed at reasonable prices, good quality products. It will also ensure that each member of the family gets his/her due in terms of nutrition.

Check Your Progress

5. What is a budget ? How does it help you ?

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6. What factors do you consider in preparing a food budget ?

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1.6 LET US SUM UP

In this unit you have learnt that expenditure on foods varies with the income and also food price and quantity of foods to be purchased. The amount of money spent on food increases with the increase in income but the proportion of expenditure on food falls as the income increases.

1.7 GLOSSARY

Budget	A plan of income and expenditure (statement of earnings from various sources and expenses on different items)
Course Grains	Bajra, ragi, jowar etc.
Food Expenditure	Money spent on buying food items.
Food Consumption	: Intake of food items to meet the requirements of nutrients or tastes.
Income Elasticity	: Adaptability according to change in income.
Inelastic demand	: The change in price does not greatly affect the demand for item.
Plan	: An action which is well defined before it is undertaken
Price Index	: Figure indicating the current level of prices etc. compared with a previous level or a base level.

1.8 ANSWERS TO CHECK YOUR PROGRESS

- 1 The two groups of food are:
 - a) foods which provide the basic energy needs of our body and are important for our existence.
 - b) foods which supplement the foods in Group (a) and are necessary for healthy living.

The basis for this classification is the relative importance of food for the existence of human beings. Certain foods like our staple cereals namely, wheat, rice, jowar, bajra etc. and to a certain extent pulses and edible oils are necessary to meet the energy requirements of the body without which one cannot survive. These foods come under Group (a). The foods in Group (b) are the ones which are required for healthy living such as milk and milk products, vegetables, fruits, flesh foods, etc. One can survive without these foods but will not have good health.

- 2 Foods which come under group (a) :
Cereals like rice, wheat, jowar, bajra, ragi; pulses like bengalgram, greengram, arhar, lentils, etc.; edible oils like vanaspati, vegetable oils, etc.

Foods which come under group (b) :
Milk, vegetables, fruits, meat, fish, eggs, sugar, biscuits, sweets, cakes & pastries.

- 3 The money spent on buying food items is called food expenditure. Foods may come from other sources as well, like gifts, food grown in the farm and food subsidy. The amount of money spent on food depends on the types of foods consumed, and the types of foods consumed depend on the income of the person.

The amount of money spent on food increases with an increase in income but the proportion of expenditure on food in the total expenditure falls as the income increases. This happens because the income elasticity of food is less. In other words, the amount of food consumed does not vary with the change in income i.e. the foods in Group (a) are consumed in more or less the same quantity whether their prices are low or high and the foods in Group (b) are consumed according to the income of the person and the prices of foods. A poor person spends the major share of his income on food and that too on Group (a) foods. When the income rises, the amount of money spent on Group (b) foods increases but the proportion of money spent on food cannot be as high as it used to be when the income was low.

- 5 A budget is a plan of income and expenditure. Our earnings may come from different sources and may materialise at different times. Similarly, expenses on various needs like housing, clothing, medicines, special occasions, may have to be incurred at different points of time. Hence, if the expenses are planned according to income at different times, it helps a family to achieve its objectives without falling short of money.
- 6 The knowledge about the availability of different food items and their prices at different times during the year help in preparing a food budget. Certain foods are available at cheaper rates during a particular time of the year like arhar, dal, spices, etc. These items could be purchased in bulk when available at cheaper rates for use during the year. Similarly, seasonal fruits like mangoes, bananas, guavas, oranges, etc. are available at cheaper rates during their season. It is wise to consume these fruits only during their season.

Practical Exercises

- 1 Collect and record the prices of major commodities like rice, wheat, vegetables, fruits, meat, fish, coconut and dals from the nearest market in your area. For each item you may collect the price information from at least three outlets (shops) Observe and record the differences in prices of each over a period of six months.
- 2 Record your family food expenditure in the format shown in the unit for the last three months. Work out the changes in your expenditure over different items (in percentages) between different months. Comment on the changes by explaining how the expenses have changed over the three month period.