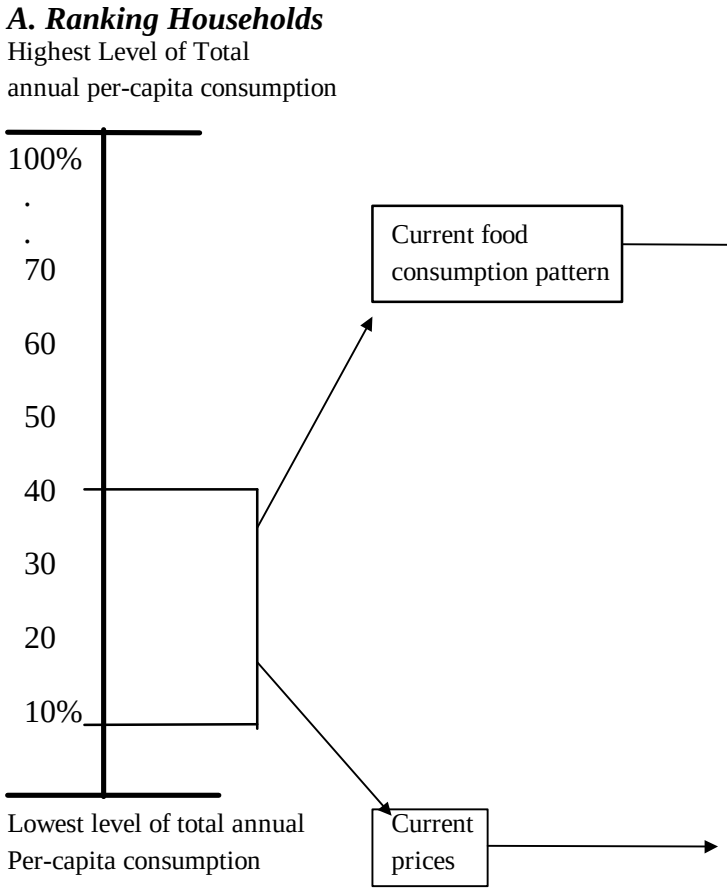
FIG. 3: HOW TO CALCULATE THE EXTREME POVERTY LINE

A. Ranking Households



B. Calculating the Value of Minimum Caloric Requirements

Current level of average calories for households in the lowest 10-40%. Total level in this group = 2025/person. *For example:*
27.2% of calories comes from rice
9.1% of calories comes from vegetable oil
8.5% of calories comes from sugar
7.3% of calories comes from corn

See pattern of all products in Table A2

The number of calories corresponds to a physical amount of food (in pounds)

Average recommended calorie level = 2280

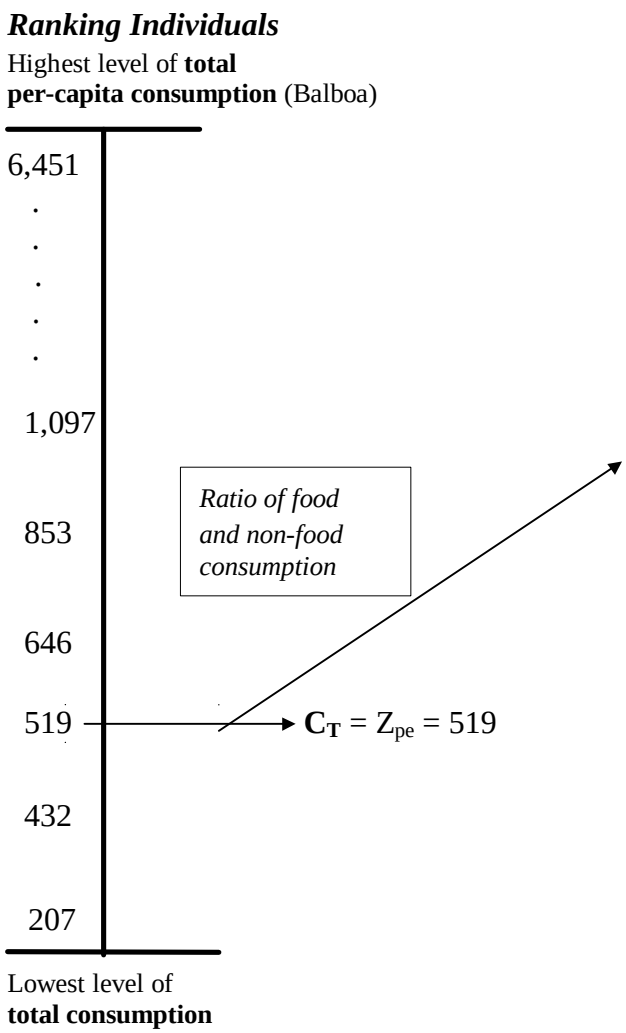
The amount of each food product is adjusted to obtain a basket that provides the 2280 calories keeping the same *consumption pattern* of households in the 10-40% Per-capita consumption range.

C. Value of the Extreme Poverty Line

To calculate the value, the amount of products estimated in the previous step is added, using the prices faced by households in the 10-40% group. The annual per-capita value of the LSMS data is B/.519.

$$Z_{pe} = B\ 519$$

Fig. 4: How to Calculate the General Poverty Line



The general poverty line includes the cost of the extreme poverty, Z_{pe}, plus an additional amount for non-food consumption.

$C_T = C_A + C_{NA}$
C_T = Total consumption
C_A = Food consumption
C_{NA}= Non-food consumption

What percentage of the total consumption is allocated to non-food
To calculate the poverty line, we used the actual *consumption coefficients* of the group of individuals with a *total consumption* near (+/-10%) the extreme poverty line (Z_{pe}).
In this case, this group allocates 42.7% to non-food consumption and 57.3% to food consumption.

We used these consumption ratios to calculate the poverty line:
$C_A = (1-.427)Z_{pg}$
$Z_{pg} = 519/.573$

Zpe = Extreme Poverty Line = 519
Zpg = General Poverty Line = 905