The method of price determination and the political mix in European agriculture assures that price supports will continue to be important and that price levels will, in general, be maintained.[20] The agricultural population is relatively large in many countries and, unlike the United States, the relationship between agricultural interest groups and government is often relatively close and formalized. Farm organizations often either participate directly in the year to year price determination or in the basic formulation of agricultural legislation and price computation methods. In Sweden long-term contracts are negotiated directly between the government and the farm organization. In other countries, prices are subject to more frequent negotiation and to automatic renegotiation if general price levels change by more than a specified amount. Where direct negotiation is not required, government price fixing often occurs in direct consultation with farm organizations, or within closely specified rules and in some cases through the direct use of farm cost-return data. These methods tend to assure price such that relative incomes in agriculture, if not always prices, will be generally maintained irrespective of market pressures or general price level changes.

The scope of price supports historically has tended to be limited largely by export considerations and in less-developed countries by the sheer weight of agriculture in the total of the economy. Increasing adequacy of supplies and expanded treasury burdens more recently have led to some restriction on price supports in an effort to reduce the burden of treasury costs. In some cases, this has taken the form of shifting costs to consumers through higher prices. It has also taken the form of specific limitations on the proportion of a product eligible for price support or of declining scales of support with increased output. These limitations, while having some implication for adjusting production to market demand, have not generally been designed specifically for this purpose. With the exception of a few special commodities, direct supply regulation has not developed and probably cannot be expected.

Thus agricultural protectionism in Europe under national policies, had become very extensive and covered all major commodities in virtually all countries. The methods and instruments used for implementing policy include internal price support plus a large variety of trade controls including traditional import restrictions such as customs duties and quantitive restrictions as well as newer devices such as minimum prices and variable levies, import calendars, conditional imports and mixing-in regulations, state trading, equalization taxes on imports and preferential trading systems. Countries with export surpluses have adopted numerous measures to facilitate sales including direct export subsidies, transport subsidies, special tax exemptions, price equalization arrangement, and other measures to assist in sales. The intermix of domestic and trade policies thus is comprehensive and trade policy discussion becomes a discussion of national agricultural policy.

[20] The following several pages are based in part on a previous article: V. Sorenson, "Trade Policies and Prospects in Western Europe," Journal of Farm Economics, December 1966.