

Kalmbach Got Dairy Donation 4 Years Ago, Attorney Says

11/17/73
By George Lardner Jr.
Washington Post Staff Writer

President Nixon's personal lawyer was secretly handed \$100,000 in cash four years ago in a dairy industry effort "to get a more sympathetic understanding within this administration," according to an attorney involved in the transaction.

The attorney, Jake Jacobsen, a former White House aide in the Johnson administration, said he did not know what Mr. Nixon's lawyer at the time, Herbert W. Kalmbach, did with the money.

Officials of Associated Milk

Producers, Inc., Jacobsen said, withdrew the funds in cash in August of 1969 from an Austin, Tex., bank where Jacobsen was chairman of the board.

"And did they tell you that this \$100,000 was to go as a campaign contribution?" Jacobsen was asked in a deposition this month.

Jacobsen: "No, they didn't say that."

Q: "Just \$100,000?"

Jacobsen: "Correct."

A former lawyer for AMPI, Jacobsen said the withdrawal was made by means of a "debit memo," a device that is used "when a person wants to

draw out cash and doesn't want to write a check."

Delivery of the cash to Kalmbach on Aug. 2, 1969, was made by another lawyer for AMPI, who at the time also happened to be the chief fundraiser for the Muskie campaign.

Portions of Jacobsen's deposition, taken in Austin Nov. 7, became available at a federal court hearing yesterday involving charges by consumer groups that controversial 1971 increase in milk price supports was the result of a political payoff.

See MILK, A4, Col. 2

MILK, From A1

Jacobsen's testimony was the first disclosure of the \$100,000 payment to Kalmbach. It appears to have been completely separate from the subsequent pledge of \$2 million in Nixon campaign contributions that AMPI officials promised the President through a Republican law firm in December, 1970.

Under questioning by William A. Dobrovir, the attorney pressing the consumer lawsuit, Jacobsen said he was consulted about the \$100,000 payment, before it was made, by Harold Nelson, then general manager for AMPI, and David Parr, then special counsel for the huge dairy co-op.

"I said it was a good idea," Jacobsen testified. "... I thought it might produce a more sympathetic understanding in this administration to the problems of the dairy industry."

According to Jacobsen, arrangements for the payment were made by a Washington law partner of his at the time, Milton P. Semer. He said he understood that Semer had first consulted with Attorney General John N. Mitchell about how to win the administration's ear for the dairy industry. The Attorney General, Jacobsen testified, suggested that Semer see Kalmbach "and eventually, Kalmbach

said he ought to make a contribution, and he did make a contribution."

Jacobsen emphasized that the choice of the word "contribution" was his own. He said he couldn't remember what Semer called it.

The \$100,000, Jacobsen said, was withdrawn from the Citizens National Bank in Austin by Robert Lilly, secretary of AMPI's political arm, the Trust for Agricultural and Political Education (TAPE). Jacobsen said Lilly wrote a debit memo on TAPE's account at the bank, got the \$100,000 in cash, and gave it to Semer, who took it to Los Angeles.

Q. "And Semer delivered it to Kalmbach in cash?"

Jacobsen: "Yes."

Q. "In a black bag?"

Jacobsen: "I don't know."

Semer, who happened to be the chief fund-raiser for Sen. Edmund S. Muskie (D-Maine) at the time, said he delivered the money to Kalmbach in a briefcase. He said he had proposed giving it in series of checks, but Kalmbach had told him over the phone that "he wanted it in cash." Semer, who had also been a White House aide in the Johnson administration, said he could not recall Kalmbach giving any reasons for not wanting checks.

"The rules were pretty loose in those days," Semer told a reporter. He said Kalmbach told him at a chance meeting

earlier this year that the \$100,000 went for White House favorites in 1970 political campaigns. "When he told me it went for the 1970 campaigns, I put it out of my mind," he said.

Kalmbach's lawyer, James H. O'Connor of Phoenix, said Kalmbach took the money after it was cleared for receipt by then-White House chief of staff H. R. (Bob) Haldeman.

O'Connor said he assumed the milk producers wanted to create a favorable climate with the Nixon administration. AMPI had backed Democratic presidential candidate Hubert H. Humphrey in the 1968 campaign against Mr. Nixon.

Kalmbach added the \$100,000 to a \$1.7 million "trust fund" that had been built up out of leftover campaign funds from the 1968 Nixon campaign. About \$140,000 of it was used to pay White House operatives Tony Ulasewicz and Donald Segretti. Another \$400,000 was spent in an effort to defeat George C. Wallace in his 1970 gubernatorial campaign in Alabama. Other contributions went to Republican gubernatorial candidates. About \$935,000 was turned over to Mr. Nixon's 1972 reelection effort, according to previous testimony about the trust fund.

Semer said he had not been aware the AMPI money had been commingled with other

funds and spent for a wide variety of purposes. "I'll be damned," he exclaimed.

Jacobsen protested that AMPI "got very little" for the \$100,000. But under questioning, he acknowledged being told by AMPI's Nelson and Parr in mid-1970 that then-White House special counsel Charles W. Colson made it known "that he was the person the dairy industry could talk to" at the White House.

In addition to the contested 1971 increase in milk price supports, the administration also raised the support level in 1970 by 38 cents a hundredweight, the biggest jump in the history of the program at that point.

Secretary of Agriculture Clifford Hardin cited the 1970 increase in refusing the next year to approve another raise. The refusal was short-lived. AMPI and other segments of the dairy industry mounted an intensive lobbying campaign. Hardin reversed himself on March 25, 1971, two days after a series of meetings that Mr. Nixon held at the White House, one with dairy industry spokesmen and the other with top administration officials. The price supports were increased another 27 cents a hundredweight, a decision that some co-op leaders have said added \$500 million to \$700 million to the income of dairy farmers.

Jacobsen said he spoke with then-Treasury Secretary John B. Connally, an old friend, about the issue "and he said he would do all he could to help us." Jacobsen said he met with Connally twice, once before Hardin rejected the 1971 increase and then again "shortly before" the administration turnaround.

"Secretary Connally understands the farmers' problem pretty good," Jacobsen said.

Jacobsen also said that he "may have" discussed the question of political support for Mr. Nixon from the dairy farmers in his meetings with Connally, but he said he couldn't recall for sure.

In an executive session with the Senate Watergate committee Thursday night, Connally reportedly said that he repeatedly refused to discuss campaign contributions from the milk producers. He said he did argue for higher price supports at the March 23, 1971, meeting with Mr. Nixon at the White House.