

POLITICS

Milkmen Skimming Off More Cream

Drop by drop, evidence has accumulated since last fall that milk producers are among the most munificent backers of political campaigns in the U.S. Investigators for the Senate Watergate committee and Special Prosecutor Leon Jaworski believe that the milkmen contributed as much as \$737,000 to President Nixon's 1972 re-election campaign, much of it illegally. Moreover, officers of the nation's largest dairy cooperative, Associated Milk Producers, Inc. (AMPI), admitted last week that the gift to the President's campaign was only part of a five-year scheme to help friendly politicians, both Democrats and Republicans.

The extent of the dairymen's political finagling is not yet fully known by

campaign; indeed, many Democratic Congressmen from dairy states favored the increase. But the relationship between the price hike and the promised contribution is one of the subjects being probed by the House Judiciary Committee's impeachment inquiry.

The bulk of the milk industry's contributions to Nixon came from AMPI which is based in San Antonio. Besides acting as a wholesaler, the cooperative operates a political arm called the Committee for Thorough Agricultural Political Education. It contributes to politicians' campaigns and lobbies in Washington and state capitals for measures helpful to AMPI members. The cooperative has assets of \$170 million and represents 40,000 big and small milk

ing toward his 1972 re-election campaign. In its bid for more sympathy, AMPI pledged on Dec. 16, 1970, to contribute an additional \$2 million for Nixon's 1972 re-election campaign. The cooperative delivered a first payment of \$10,000 on March 22, 1971. Three days later, the Administration announced the increase in milk-price supports.

American Dream. Throughout the remainder of the year, the milk money flowed into the Nixon campaign chest, for the most part in legal amounts of less than \$5,000. To receive the money, Nixon political associates set up a number of dummy committees, among them Citizens United in Pursuit of the American Dream and Americans United for Honesty in Government. A common device for getting around the \$5,000 limit is to donate that amount to each of many different campaign committees.

By early 1972, however, AMPI executives were having second thoughts



FORMER AMPI MANAGER NELSON

A five-year scheme to help friendly politicians and win higher milk prices.



FORMER AMPI ATTORNEY JAKE JACOBSEN LEAVING COURTHOUSE IN WASHINGTON

federal probers, but it clearly included huge campaign contributions to many candidates for national and state offices. What the milk producers were after, of course, was higher prices for their products. At a meeting in Washington on Aug. 4, 1970, former AMPI Attorney Jake Jacobsen advised officers of the cooperative that "one way a small group makes itself heard is to help the politicians get into office. It works the same way from the President on down."

Wise Advice. Many milk producers thought they detected the wisdom of Jacobsen's advice when the Nixon Administration in 1971 raised federal milk-price supports by 27¢, to \$4.93 per 100 lbs. The increase came about three months after the President was offered \$2 million by the dairymen for his 1972 campaign. The rise added more than \$300 million to the annual income of U.S. dairy farmers and at least as much to the prices paid by consumers. Nixon has denied that the decision to raise supports was in any way influenced by the milk producers' contributions to his

producers in 22 states mostly in the Midwest.

AMPI officially acknowledges making political contributions of \$906,245 in 1972, second only to the \$1,200,550 reported by the 13.5 million-member AFL-CIO's Committee on Political Education. The AMPI contributions came to far more than the official figure, perhaps as much as a total of \$1.5 million. Many of the gifts were legal. But others, which came straight out of the AMPI budget, violated federal laws prohibiting the donation of corporate funds for political purposes. Still other gifts may have broken the federal law limiting individual campaign gifts to \$5,000 in a single year.

The cooperative's largesse was non-partisan. In 1968 AMPI backed Democratic Nominee Hubert H. Humphrey with \$91,691. When Nixon was elected, it made its first contribution to the new President. In what AMPI former General Manager Harold Nelson later candidly described as a "peace" offering, the cooperative in 1969 gave \$100,000 to fund raisers for Nixon, ostensibly look-

about their generosity to Nixon's campaign. Consumer Advocate Ralph Nader had brought suit in Federal District Court in Washington that January, contending that the hike in milk-price supports had been illegal. A week later, the Justice Department filed an antitrust suit in Federal District Court in Kansas City, Mo., charging the cooperative with unfair trade practices, including price fixing. Upset by the course of their political activities and the resulting publicity of both suits, the AMPI asked Nelson to resign as general manager.

One of the first acts of his successor, George Mehren, 60, onetime Assistant Secretary of Agriculture, was to try to persuade Nixon associates to get the Justice Department to drop the antitrust suit. In an answer to a questionnaire from Senator Sam Ervin's Watergate committee, former AMPI Secretary Dwight I. Morris claimed to have evidence that Mehren offered Nixon Attorney Herbert W. Kalmbach another \$300,000 in campaign funds if the suit were dropped. According to Morris,

Kalmbach refused the offer because of the controversy raging over the Administration's antitrust settlement with ITT.

Whatever the truth of the charge—Mehren has never commented on it publicly—the AMPI directors set out to clean up the cooperative's image. In August 1973, they hired the Little Rock law firm headed by Edward L. Wright, a former president of the American Bar Association, to investigate the cooperative's past political wheeling and dealing. He found plenty, as his report showed last week when it became public. Among the report's revelations:

► After making their initial \$100,000 peace offering to Nixon's campaign committee, AMPI officials discovered that it was illegal because it came from AMPI corporate funds. In an elaborate effort to conceal the contribution, they directed Bob A. Lilly, assistant to AMPI General Manager Nelson, to replace the gift with an equal amount borrowed personally from the Citizens National Bank of Austin; such a personal contribution could be legally arranged. Then, to repay Lilly, AMPI asked attorneys and public relations firms with whom they had previous friendly business dealings for interest-free loans ranging from \$5,000 to \$56,000 each. AMPI paid back the lenders by raising their retainers. All of them now claim that they never suspected that they were being used to launder the money contributed to Nixon. Ironically, many of the lenders were prominent Democrats, including Richard Maguire, former treasurer of the Democratic National Committee; the late Clifton C. Carter, former executive director of the D.N.C.; and Ted Van Dyke, who was an adviser to George McGovern's presidential campaign in 1972 and to Humphrey's campaign in 1968.

► Prior to Lyndon Johnson's decision not to run for re-election in 1968, the cooperative paid \$90,711 for the printing of a book of his speeches, titled *No Retreat from Tomorrow*.

► In 1969 AMPI concocted another scheme to get around federal election laws. It gave bonuses and advances totaling about \$80,000 to employees and outside agents and told them to donate the money to political campaigns, chiefly that of Democratic Presidential Nominee Hubert Humphrey. On hearing of the Wright report, Humphrey acknowl-

edged the gifts but said that he thought they had been legal.

► AMPI was also concerned with influencing farm policies on the state level. In 1969 the cooperative gave \$9,500 to the campaigns of five Democratic legislators in Texas in amounts ranging from \$500 to \$4,000. The conduit was Texas Deputy Agriculture Commissioner Bill Pieratt, who received the funds from AMPI Executive Lilly, then distributed them to the candidates.

► Even though the cooperative was backing Nixon's re-election in 1972, it contributed a legal \$41,600 to the brief presidential campaign of Democratic Congressman Wilbur D. Mills of Arkansas. However, AMPI also rented apartments for two campaign workers in Washington and paid the salary of one of them. Mills has denied any knowledge of the illegal help.

► In May 1971 Attorney Jacobsen offered \$10,000 in cooperative money to John B. Connally, then Secretary of the Treasury, for contributions to the campaigns of unnamed politicians. Connally turned down the money twice. Jacobsen later told the Watergate grand jury that he left the money untouched in a safe-deposit box in the Citizens National Bank of Austin until last Nov. 27. The grand jury offered no clue as to what might have happened to the \$10,000 but said that Jacobsen had lied, and indicted him for perjury. Last week he pleaded not guilty in Federal District Court in Washington.

For all of the controversy over the milk producers' campaign contributions, they have not abandoned money as a way of winning friends. Last week the Common Cause citizens' lobby reported that special interest groups have \$14.2 million to contribute to congressional campaigns this fall. At the top of the list was AMPI's political arm with \$1.4 million. It was followed by nine maritime-related groups and unions, totaling \$1 million; the United Automobile Workers, \$717,000; and the American Medical Association and related groups, \$889,000. Declared Fred Wertheimer, director of Common Cause's campaign-finance monitoring project: "Anyone who thinks the Watergate scandals have put special interest givers out of business had better take a close look at these figures."