

Anatomy of a Scandal: The Milk Fund

BY GEORGE LARDNER, JR.

The sordid story of how America's dairy co-ops have poured millions of dollars into the coffers of Republicans and Democrats alike—and won preferential treatment that has cost consumers hundreds of millions

“DAIRY Cash Pours Into Dummy Committees.” “Milking Dollars for Nixon.” “Dairymen Buy Influence With Cold Cash.” “Milk Scandal Threatening to Blow Up.”

Bits and pieces of the “milk-fund scandal” have appeared under headlines like these over the past three years—enough to arouse curiosity, suspicion and indignation. It is a story of money, power and electoral politics that poses sobering questions for our country.

Beginning in 1968, the dairymen poured several million dollars into the campaigns of Republicans and Democrats alike, up to and including the candidates for President. And the influence-buying continues: by June 1974 the milk lobby had

amassed a campaign kitty of \$2.2 million for future use.

What is the milk lobby? It is three giant co-ops—Associated Milk Producers, Inc. (AMPI), Mid-America Dairymen, Inc., and Dairymen, Inc.—with 66,000 members throughout the country. They produce nearly 25 percent of the country's milk. Their goal is simple: to drive up the price of milk.

Milk is perhaps the most tightly controlled of all farm products, fine-tuned to price supports, regional marketing orders and quotas on imports. But the basic ingredient, at least before inflation set in, has been the support price: what the government will pay for manufactured milk products like butter, cheese and non-fat dry milk. Raise that price and market prices for milk go up.

The lobby's big push began with Lyndon Johnson and Hubert Hum-

A REPORTER for the *Washington Post*, George Lardner, Jr., has been covering the Milk Fund since 1971.

phrey. In early 1968, more than \$50,000 in phony employe bonuses was funneled into the "LBJ Thousand-Dollar Club." Another \$104,000 went, illegally, to pay for a lavishly printed tribute to the Johnson Presidency. Since these contributions came from AMPI's corporate treasury, they were flatly prohibited by law.

Perhaps by coincidence, on March 20, 1968, when LBJ was still seeking re-election and just in time for the Wisconsin primary, the Administration proclaimed a seven-percent increase in milk price supports. Sen. Eugene McCarthy (D., Minn.) called the decision a cynical move to corral the farm vote for Johnson. So, in fact, did the front-running Republican, Richard M. Nixon.

Ten days later, when Johnson announced that he would not run for re-election, the milk lobby turned to Vice President Humphrey. According to an independent report now tucked into court records, AMPI spent at least \$90,000 on the Humphrey-Muskie campaign, all out of corporate funds. Much of it was secretly funneled to the Democratic cause by friends and officials of AMPI, who were reimbursed by the co-op for items such as "professional services" and "directors' expense."

\$2-Million Package. When Humphrey lost, AMPI moved quickly "to make peace" with the Republicans. Milton Semer, law partner of AMPI lawyer Jake Jacobsen, reportedly sounded out Attorney General John Mitchell and was told to see President Nixon's personal lawyer, Her-

bert Kalmbach. Semer did and, according to Kalmbach's later testimony, promised an initial contribution of \$100,000 and possibly another \$150,000 by the end of the year. In return, according to Kalmbach, AMPI wanted three things: higher price supports, a speech from Nixon at a co-op convention, and entree to the White House. Kalmbach spelled out the details to White House chief of staff H. R. Haldeman, who told him to take the money.

On August 1, 1969, Semer flew to California and handed over \$100,000 in \$100 bills to Kalmbach. Kalmbach counted it out carefully, then deposited it in a secret "trust fund" that was later used to finance, among other activities, the operations of political saboteur Donald Segretti.

In the spring of 1970, the Administration raised price supports for milk by 38 cents per hundredweight—the biggest jump in the program's history. But the dairymen wanted more. In talks with Presidential aide Charles W. Colson, they tied together even higher price supports, restrictions on dairy imports—and contributions to Nixon. At one get-together, AMPI's special counsel David L. Parr has testified, the dairymen mentioned first \$1 million for the President and then \$2 million. At that, Parr testified, Colson smiled and said, "This is a two-million-dollar package."

The liaisons grew warmer. The milk producers put up more than \$100,000 in side money for a White

House fund-raising campaign in 1970 to win a GOP majority in the Senate. The money raised was surreptitiously funneled by the White House through an illegal political committee. In September 1970, Parr and AMPI's general manager, Harold Nelson, were ushered into the Oval Office for an audience and picture-taking session with Nixon, who had been informed by Colson of the \$2-million pledge.

In November, Parr and Nelson met with Colson and Kalmbach to discuss how the money would be made available. Since the dairy trusts were required to list their contributions publicly, it was decided to funnel the money to the Nixon campaign through several hundred dummy committees. On December 16, Patrick Hillings, a newly hired AMPI lawyer who had been a Nixon confidant since the late 1940s, wrote the President that they were working with "Herb Kalmbach in setting up appropriate channels for AMPI to contribute \$2 million for your re-election."

Stepping Up the Pressure. Formation of the committees, however, dragged on for months. The annual spring rite of fixing milk-price supports was coming up fast. The dairy-men began covering their bets. Nelson and Parr started lobbying on Capitol Hill to step up pressure on the White House, enlisting the support of powerful Democrats such as House Speaker Carl Albert (Okla.) and House Ways and Means Chairman Wilbur Mills (Ark.). Jake

Jacobsen sought out another old friend, the just-appointed Secretary of the Treasury John B. Connally, then still a Democrat but one who had Nixon's ear. "He said he would do all he could to help us," Jacobsen has testified.

Despite the pressure, on March 12, 1971, Secretary of Agriculture Clifford Hardin announced that another increase in price support—for the milk-marketing year starting April 1—could not be justified. Both the President's Council of Economic Advisers and the Office of Management and Budget supported the decision. But this was not the last word.

To demonstrate its anger, AMPI canceled plans to purchase up to \$100,000 worth of tickets for a Republican fund-raising dinner, making instead a token contribution of \$10,000. The late Murray Chotiner, who had just left the White House for a \$60,000-a-year legal retainer from AMPI, buttonholed John Ehrlichman, Colson and other old colleagues on the co-ops' behalf.

On the morning of March 23, the President met with more than a dozen dairy-farm leaders in the Cabinet Room. The President began by praising the dairymen for realizing that what happened in Washington affected them personally. "And you are willing to do something about it," the President went on to say. "And I must say a lot of businessmen and others I get around this table, they yammer and talk a lot, but they don't do anything about

it. But you do, and I appreciate that. I don't need to spell it out."

That afternoon, Nixon held a meeting of his top domestic aides. Connally talked of the dairymen in coldly political terms, noting the "enormous amount of money that they're going to put into political activities." He urged Nixon to approve the support increase immediately, before Congress could act. "You're in this thing for everything you can get out of it," Connally told him at one point.

The President ordered the price increase. The meeting broke up at 5:38 p.m. Ehrlichman saw Colson at 5:50 p.m. Then Colson met Chotiner at 6 p.m. In that order, Congressional investigators say, the White House passed the word to the milk producers that they were expected to "reaffirm" their \$2-million Nixon campaign commitment.

That night, AMPI officials and other dairy co-op leaders embarked on a round of all-night meetings, one of them after a pre-dawn flight to Louisville, Ky., headquarters of Dairymen, Inc. The get-together took place at 4 a.m. in the nearly deserted Louisville airport, where Nelson and Parr huddled with representatives of Mid-America Dairymen and Dairymen, Inc. Later that day, Dairymen, Inc., came up with \$25,000 at a Republican fund-raising dinner in Washington. The same day, Mid-America Dairymen pledged \$50,000 to a string of Republican committees. At midnight, after the fund-raising dinner, Nelson and

Chotiner met Kalmbach at his hotel room. "The main, and almost sole, purpose of the meeting was the reaffirmation of the \$2-million pledge and the fact they told me that the price-support decision was to be announced the next day," Kalmbach has testified. It was no surprise to the President's lawyer. According to Kalmbach, Ehrlichman had personally arranged the rendezvous and told him, in advance, what to expect.

The next day, March 25, 1971, Secretary Hardin dutifully announced the price increase, raising the support level from \$4.66 to \$4.93 per hundredweight. The decision added an estimated \$300 million to the income of dairy farmers.

Despite the initial hurry-up, the co-op contributions came in slowly, largely because of the sluggish progress by Nixon operatives in setting up a huge stable of dummy committees to accept the dairy lobby's contributions in bite-sized installments of \$2500 each. By the time of the 1972 election, the three major co-ops, led by AMPI, appear to have contributed \$727,500 to the Nixon campaign.

Business as Usual. Two years later, the milk co-ops have been shaken by a steady barrage of investigations and lawsuits, but they remain an awesome political power. Although illicit corporate spending appears to have stopped, "voluntary" contributions from the dairymen's political committees flow to Washington in torrents. Since Election Day 1972, the political arms of the

three co-ops have laid out several hundred thousand dollars in campaign funds for Congressmen and Senators, almost half of it for members of the subcommittees that deal in milk. Freshman Rep. Jerry Litton (D., Mo.) got only \$150 in the 1972 primary, while his opponent, an urban schoolteacher whom the dairymen had tagged as a winner, got \$10,000. When Litton was elected anyway, the milk producers came up with \$11,000 for him, including \$5270 after his appointment to the House Agriculture Committee.

Biggest beneficiary has been freshman Rep. David R. Bowen (D., Miss.). Assigned to the House dairy subcommittee in February 1973, he has received at least \$30,000 from the milk producers since then. The subcommittee chairman, Rep. Ed Jones (D., Tenn.), a dairy farmer for most of his life, got \$12,000. Sen. Walter Huddleston (D., Ky.), chairman of the Senate subcommittee in charge of milk-price supports and marketing legislation, got \$15,000. Sen. Herman Talmadge (D., Ga.), chairman of Senate Agriculture, received \$10,000. In all, 81 lawmakers—more than one of every seven members of the House and Senate—have received some milk money since Election Day 1972.

The Vital Resolve. Criminal charges and convictions have been

accumulating recently. David Parr pleaded guilty in March to charges that he conspired to pass \$22,000 in AMPI corporate funds to the 1968 Humphrey campaign. Then, in July, he pleaded guilty to a second conspiracy charge: that of funneling another \$222,450 in illegal funds to Humphrey, Rep. Wilbur Mills and others. Harold Nelson, Jake Jacobsen and former Treasury Secretary John Connally have been charged with conspiracy in connection with a \$10,000 payment that Connally allegedly received from AMPI for his help in securing the 1971 price-support increase. Nelson has pleaded guilty to approving the bribe, and Jacobsen has sworn that he delivered it to Connally, allegedly in two installments. Connally is awaiting trial. AMPI has admitted its corporate responsibility for more than \$280,000 in other illegal contributions. The investigations continue.

But prosecution alone is not the answer. Even more vital is the resolve of government personnel, in the Executive Branch and in the Congress, to consider carefully the origins and the intentions behind political contributions. More important, these individuals should be firmly on record before they are elected that they will not stand by and see the halls of government turned into a retail store for favors.



Retirement Plan. If the average man saves for the next 20 years at the rate he's been saving for the past six months, he can retire at 60 and owe \$100,000.

— Earl Wilson, Publishers-Hall Syndicate