

Excerpts From Statement on the Milk

WASHINGTON, Jan. 8—Following are excerpts from a statement on the milk pricing case as released today by the White House:

During the spring of 1971, Secretary of Agriculture Clifford Hardin announced that certain dairy products would be supported by the Federal Government at 80 per cent of parity during the 1971-72 marketing season. Subsequently, under heavy pressure from the Congress to increase supports and after consultation with his senior advisers, the President reconsidered and requested the Secretary to raise the price support level for the coming year to 85 per cent of parity.

Because the President also met with dairy leaders during this same period and because campaign contributions were given to his re-election effort during 1971, there have been charges in the media and elsewhere that the President's actions on price supports were the result of promises from the dairy industry to contribute to the 1972 Republican Presidential campaign. These allegations are unsupported by evidence and are totally false.

The Decisions of March, 1971

The decision announced each year by the Secretary of Agriculture of the price at which the Government will support milk prices has a significant impact on the nation's dairy farmers. In 1970, Secretary Hardin had announced that for the marketing year running from April 1, 1970, through March 31, 1971, the Government would support manufacturing milk at \$4.66 per 100 pounds, or at 85 per cent of parity. This figure represented an increase of 38 cents and an increase of 2 per cent of the parity rate over the year before (1969-1970).

As the 1971-72 marketing season approached, the question within the Government was whether to continue supporting the milk price at \$4.66 per pounds or to raise the price. Because a grain shortage and other factors had increased the costs of production for dairy farmers, a continuation of the \$4.66 price meant that the parity rate would actually fall to approximately 80 per cent. To the farmers, a drop in parity rate would result in a possible loss of income which in turn could deter production. The farmers therefore advocated an increase in the price support to \$5.21 per 100 pounds, or 90 per cent of parity; at the very least, they argued, the Government should raise the price to \$4.92 per 100 pounds and thereby maintain the current parity rate of 85 per cent. At the Department of Agriculture, it was feared that such price increases might encourage excess production of the farms, raise the prices of dairy products for consumers, and ultimately force the Government to purchase the surplus products.

The dairy industry, which had become highly organized in the 1960's, moved to exert maximum, direct pressure on the Secretary of Agriculture in early 1971. In a few weeks, over 13,000 letters from milk producers were received by the Department of Agriculture.

At the same time, the dairy industry worked to achieve its objectives indirectly through members of the Congress who agreed with industry views. The upper midwestern affiliate of the Associated Milk Producers, Inc. (AMPI) estimated that its members alone sent some 50,000 letters to Congressmen on the subject of milk supports. Between February 23 and March 12, 1971, some 25 Senators and 65 Congressmen wrote the Secretary of Agriculture to urge that the \$4.66 support price be increased. Some 20 Senators and 53 Representatives indicated that they wanted to see



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President Nixon at his home in San Clemente, Calif., yesterday morning

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by the White House

the price raised to a full 90 per cent of parity (\$5.21 per cwt.). Four Senators and eight Representatives adopted a more restrained position, asking that the price be raised to at least 85 per cent of parity (\$4.92).

Some Letters Cite Requests

Some of the letters openly referred to the fact that spokesmen for the dairy cooperatives—AMPI, Dairymen, Inc., or their affiliates—had written or called upon the Congressmen to ask for support. A number of letters were apparently drafted by lobbying groups.

Many of the members also took to the floor of the House and Senate to express their concern.

While their colleagues were marshalling support in open floor speeches, senior Democratic leaders in the Congress were expressing their concerns privately to representatives of the Administration. On Feb. 10, the chairman of the House Ways and Means Committee, Wilbur Mills, (D., Ark.), arranged a meeting in the office of Speaker Carl Albert (D., Okla.) to discuss the dairy issue. Representatives of the dairy industry had apparently asked

for the meeting to plead their case. In attendance were Harold Nelson and David Prr from AMPI; Congressman Mills, Albert and John Byrnes (R., Wis.); William Galbraith, head of Congressional liaison for the Department of Agriculture; and Clark MacGregor, then counsel to the President for Congressional relations.

The Congressional leaders continued to make their views known in several private conversations thereafter. According to Mr. MacGregor's records, Congressman Mills urged him on at least six occasions in late February and early March to urge the President to raise the support price. Congressman Mills and Speaker Albert also telephoned the director of the Office of Management and Budget, George Shultz, with the same request. Mr. Shultz sent a memorandum to John Ehrlichman at the White House indicating the substance of the Mills request for a rise in the support level.

Nevertheless, on March 12, Secretary Hardin announced that the price support for the coming year would be approximately 80 per cent of parity—not 90 per cent as the dairy industry wanted. The Secretary's announcement acknowledged that some dairymen believed that the support price should be increased. But, he said, higher support prices might lead to excessive supplies and large surpluses. Mr. Hardin believed his action was "in the long-term best interests of the dairy producers."

Immediately following the Agriculture Department announcement of March 12, 1971, a campaign was initiated on Capitol Hill by both Democrats and Republicans for mandatory legislation to increase the parity level to 85 or 90 per cent. Thirty separate bills were introduced in the House of Representatives between March 16th and March 25th with this specific goal in mind. One hundred and twenty-five members of the House of Representatives introduced or co-sponsored legislation to support the price of manufacturing milk at a level of not more than 90 per cent nor less than 85 per cent. In other words, 85 per cent would be an absolute floor for price supports. Of these Representatives, 29 were Republicans and 96 were Democrats. Two Congressmen, one from each side of the aisle, also introduced legislation for a mandatory level of 90 per cent of parity.

Democrat Support in Senate

In the Senate, 28 Senators, led by Democratic Senator Gaylord Nelson of Wisconsin, introduced legislation on March 16, 1971, that would have required support levels at a minimum of 85 per cent of parity. Of the Nelson bill sponsors, one was a Republican (Senator Cook of Kentucky) and 27 were Democrats.

Philosophically, the Nixon Administration had hoped to gradually move away from Federal policies which pro-

vide massive subsidies to agriculture. These subsidies had initially been instituted during the Depression years when the Government undertook a variety of measures to ease the plight of the farmers and to give them some degree of economic stability and continuing purchase power. During the ensuing decades, when these support policies might have been phased out, they instead became political footballs, tossed about in the Congress, aided and abetted by well-organized farm lobbying groups.

With 29 Senators and more than 100 Congressmen actively spearheading the effort to achieve an increased parity rate for the dairy industry, it thus became increasingly clear that mandatory legislation would be enacted and, further, that a Presidential veto of such legislation could well be overridden. Moreover, if the President were to try to force his will in this matter (i.e., to push parity down to 80 per cent) it could be politically disastrous in some of the Midwestern states, and, in the light of known Congressional intentions, would be both foolish and futile.

Godfrey Sperling, writing in *The Christian Science Monitor* on Dec. 1, 1970, had observed that "farmers and rural communities of America are deeply distressed with the Nixon Administration . . ." especially "with the paring of subsidies . . ." Sperling also noted the election results of Nov. 3, 1970: "Democrats in 11 basically agricultural districts picked up new Congressmen. At the same time no Democrats who were incumbents in such farm districts were defeated." Finally Sperling mentioned those Democrats who did well in farm areas: Senators Joseph Montoya of New Mexico, Quentin Burdick of North Dakota, Hubert Humphry of Minnesota, Stuart Symington of Missouri, Adlai Stevenson of Illinois, Vance Hartke of Indiana, Gale McGee of Wyoming, Frank Moss of Utah and William Proxmire of Wisconsin. All but one of these Senators in 1971 were supporting dairy industry efforts to obtain higher price supports.

The situation was not dissimilar to one facing President Lyndon Johnson in 1967 when he was forced to curb dairy imports by a Congress which had introduced legislation as a prodding action. Mr. Johnson sharply reduced dairy imports in that year after 58 Senators, led by Senator William Proxmire (D-Wis.), and 180 Congressmen had introduced a dairy import control bill. In 1967, as in 1971, the activity in the Congress had taken place after the dairy lobby had, by one account, "launched an all-out drive to get Congress" to pass import controls.

With the pressures from Capitol Hill mounting rapidly, President Nixon during the afternoon of March 23d met with seven of his senior advisers to explore the situation with regard to milk price supports. This was the President's second meeting of the day concerning dairy matters. As will be dis-

cussed below the President and other Administration officials met that morning with dairy representatives in response to a long-standing appointment.

The President himself concluded that the final decision came down to the fact that the Congress was going to pass the higher support legislation, and he could not veto it without alienating the farmers—an essential part of his political constituency. It was also believed that by raising the support levels in 1971, similar action in 1972 could be precluded—thus holding the price line for two years.

The fundamental themes running through this March 23d meeting were two: (1) the unique and very heavy pressures being placed upon the President by the Democratic majority leadership in the Congress and (2) the political advantages and disadvantages of making a decision regarding a vital political constituency.

After the President announced his decision there was discussion of the great power of the House Democratic leadership (which was then pressing for the milk price support increase) and how that power might be enlisted in support of certain of the President's key domestic legislation, if the Administration acknowledged the key role these leaders played in securing the reversal of Secretary Hardin's March 12 decision. The meeting concluded with a discussion of the manner in which the decision would be announced and implemented.

Two days later, on March 25, Secretary Hardin officially announced the decision to raise the support level to approximately 85 per cent of parity for the 1971-72 marketing season.

[II]

The Dairy Industry Contributions and Lobbying Activities

The discussion in the foregoing section shows that overwhelming Congressional pressure—and the political consequences of ignoring it—was the reason for the milk price support decision reached on March 23d.

The lobbying and contribution activities of the dairy industry followed a separate track. Not unexpectedly the industry undertook to cover every available base. But there was no arrangement or understanding between the industry and the President as has been so widely and falsely alleged.

The record shows the following lobbying and contribution activities by the dairy industry representatives between 1969 and 1971:

1969-1970

President Nixon had no direct contact with any of the members of these dairy organizations until 1970 when AMPI officials invited him to address their annual convention in Chicago in September. The President was unable to accept the invitation, and Secretary Hardin spoke in his place.

Although he could not attend the convention, the President—as he frequently does—placed a courtesy phone call on Sept. 4, 1970 to the general manager of AMPI, Mr. Harold Nelson. He also spoke with Secretary Hardin, who was with Mr. Nelson. During that conversation, the President invited the dairy leaders to meet with him in Washington and to arrange a meeting with a larger delegation of dairy leaders at a later date.

Accepting the President's invitation, Mr. Nelson and his special assistant, David Parr, paid a brief courtesy call on the President on Sept. 9, 1970.

The meeting, which was publicly announced to the press occurred in the Oval Office, and, according to the President's diary, lasted approximately nine minutes. Most of that time was consumed with introductions, photographs and the distribution of Presidential souvenirs.

The context of the meeting was a greeting during a presidential "open hour"—a session frequently arranged for short courtesy calls from diverse groups and individuals. During the "open hour" of Sept. 9, the visit from the AMPI representatives was fitted in between the visits of 25 other people, including a group to encourage military servicemen to exercise their votes, a group of concerned citizens from the state of South Dakota and a contingent of Gold Star mothers.

During the late 1960's each of the three major dairy cooperatives established a trust fund in order to raise and distribute money to political candidates. AMPI established the Trust for Agricultural Political Education (TAPE), Mid-America dairies established the Agriculture and Dairy Educational and Political Trust (ADEPT), and Dairymen, Inc., created the trust for Special Agricultural Community Education (SPACE).

In August of 1969, an attorney for

AMPI delivered to Mr. Herbert Kalmbach the sum of \$100,000. Mr. Kalmbach deposited the funds in a trustee account he maintained at the Security Pacific National Bank in Newport Beach, California. The account contained political contributions remaining from the 1968 election campaign. The President had no knowledge of this contribution.

Reports on file with the Clerk of the House of Representatives showed that contributions to Congressional candidates in 1969 and 1970 by TAPE, SPACE and ADEPT totaled over \$500,000. The bulk of the money was earmarked for Democratic candidates. Representatives of the dairy co-ops have indicated in an Associated Press account of Dec. 17, 1973, that Republican candidates received approximately \$135,000, or less than 30 per cent of the funds.

Knowledge of Financial Support

Some members of the White House staff knew that the dairymen were giving financial support to Republican and Democratic candidates in Senate elections in 1970. One member of the staff, Charles W. Colson, asserted in a memorandum to the President that AMPI had pledged \$2-million to the 1972 campaign. (Whether any such pledge was actually made is unknown, but the total amount given to the President's 1972 campaign was \$437,000. As noted below, AMPI's campaign contributions to other candidates during this period were even more generous.) That memorandum was attached to a Presidential briefing paper for the courtesy meeting between the President and the AMPI representatives in September of 1970. It was suggested in the memorandum that the President acknowledge AMPI's support. No suggestion was made that any commitment whatsoever be made to do any substantive act. There was also no mention of the asserted pledge during the meeting.

Another reference to fund raising was in a letter addressed to the President on Dec. 16, 1970, from Patrick Hillings, a former Congressman who had succeeded Mr. Nixon in his Congressional seat after the latter had been elected to the Senate. At that time, Mr. Hillings was a member of a Washington, D.C., law firm that represented the dairymen in the nation's Capital. In his letter, Mr. Hillings asked for the immediate imposition revised dairy import quotas in accordance with recommendations recently presented to the President by the Tariff Commission. President Nixon did not see the letter.

Since the President had already been informed of the fund raising efforts by the dairy industry, the only possible relevance of the Hillings letter would lie in what action was taken on the Tariff Commission recommendations that Mr. Hillings asked the President to accept.

The fact is that the action taken by the President on import quotas was less favorable to the dairy industry than the steps recommended by the Tariff Commission. The commission, a body of impartial experts, had recommended on economic grounds and pursuant to statutory requirements that imports be closed off entirely for three dairy products (ice cream, certain chocolate products, and animal feeds containing milk derivatives) and that much lower import quotas be set for a fourth item, low-fat cheese. Rather than closing off imports—an action that would have been more favorable to the dairy industry—the President instead reduced the import quotas on each item, permitting all four goods to continue their competition with American dairy products.

The President next met with dairy representatives at 10:30 A.M. on March 23, 1971, in the Cabinet room of the White House. Included in the meeting were a delegation from the dairy cooperatives as well as several Administration officials, include O.M.B. Director, George Shultz; Assistant to the President, John Ehrlichman; Deputy Assistants to the President, Henry Cashen and John Whitaker; and Donald Rice, Associate Director of O.M.B. From the Department of Agriculture were Secretary Hardin; Under Secretary Phil Campbell; Assistant Secretaries Clarence Palmby and Richard Lyng; and Deputy Assistant Secretary William Galbraith.

Contrary to allegations which have since been made, the meeting had been scheduled more than three weeks BEFORE the March 12 announcement on price supports by Secretary Hardin. As noted above, the meeting stemmed from an invitation first extended on Sept. 4, 1970, when the President spoke by telephone to Harold Nelson of AMPI. In January of 1971, Secretary Hardin recommended to the White House that the meeting be placed on the President's schedule. Thereafter, in Febru-

ary, the White House arranged the March meeting.

The President opened the meeting by thanking the dairy leaders for the support they had given to Administration policies and praised them for their activism in pursuing goals which were important to them. The remainder of the meeting was taken up with the dairy leaders pleading their case for higher supports and with other Administration officials expressing concerns about overproduction and higher retail prices. There was no mention whatsoever of campaign contributions. Nor were any conclusions regarding dairy supports reached at the meeting, as the President pressed the attendees as to whether or not they could control overproduction. Much was said by the dairy representatives of the higher costs of their doing business.

Prior to this meeting, a staff memorandum was prepared as a briefing paper for the President. That paper briefly noted that the dairy lobby—like organized labor—had decided to spend political money and that Pat Hillings and Murray Chotiner were involved. There was no suggestion that the President should give special treatment to the dairymen. In fact, that same paper discussed in much more detail the pressure which was coming from the Congress for higher supports; that the Congress was acting as Speaker Albert's instigation; that the Democratic leadership wanted to embarrass the President; and that a bill for higher supports would probably be passed, thus presenting the President with a very tough veto situation.

There were no other discussions between the President and the dairy industry representatives prior to the President's decisions on the afternoon of March 23, 1971. There are a number of mistaken notions with regard to these lobbying efforts of the dairy industry. One is that they had a substantial influence upon the President's decisions. That is untrue. Another is that the dairy contribution represented a substantial portion of the total funding of the President's re-election effort. The truth is that the contributions from the dairymen amounting to some \$427,000 constituted less than 1 per cent of the total.

It should be further noted that from the perspective of the dairymen, their contributions to President Nixon's campaign organizations were not the major focus of their efforts. According to The Congressional Quarterly of March 17, 1973, reports publicly filed by the political arms of the cooperatives show the following total contributions by the political arms of the dairy cooperatives to all political candidates from April 7, 1972, through Dec. 31, 1972:

ADEPT	\$ 324,292.58
CTAPE/a	906,245.00
PACE	17,650.00
SPACE	254,700.00

Total\$1,502,887.58

(a—Note: CTAPE became the major distribution arm of the Associated Milk Producers during the 1972 campaign. Its parent, TAPE, transferred funds to CTAPE, which in turn gave them to the candidate's organizations.)

[IV]

Conclusions

The information contained in this discussion can be summarized as follows:

—Immediately after the Agriculture Department first announced on March 12 that milk would be supported at approximately 80 per cent of parity, pressures developed on Capitol Hill for mandatory legislation to increase the parity level to 85-90 per cent. Several of the President's advisers believed that the legislation would be enacted and that a Presidential veto of such legislation would be politically disastrous for Mr. Nixon in several states.

—Except for the fear that a rise in supports would create problems of overproduction, several advisers believed the dairymen's case to be meritorious due to the rising costs of fuel, feed, and labor for those producing dairy products. In fact, the corn blight of 1970 considerably reduced many supplies of feed grain for the 1971 marketing year.

—With the Congress putting "a gun to our head" and with his senior advisers supporting him, the President decided that the parity level should be increased to 85 per cent.

—Economically, the President's decision to raise the support level proved to be sound and beneficial for the nation.

—While the President had been advised that the dairymen had decided to make contributions towards the re-election effort of 1972, this did not influence the President's decision to raise the level of supports.