

Milk Coop's Political Activism To Continue Despite Pressure

AMPI's \$2-Million Pledge for Nixon Often Criticized

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SAN ANTONIO, Texas, May 26—Associated Milk Producers, Inc., the dairy-farmer cooperative whose political role looms so large in the impeachment proceedings against President Nixon, changed its management in early 1972.

Still the cooperative continues under fire—from charges by Ralph Nader and others that milk price supports were raised by President Nixon in 1971 in return for AMPI's pledge of \$2-million in contribution to Mr. Nixon's reelection campaign, from members who feel the new leadership has failed to sweep cleanly with its new broom, and from pending antitrust suits filed by the Department of Justice and a number of smaller competing cooperatives.

In January, 1972, Harold S. Nelson, a San Antonio lawyer and a prime mover behind the formation of AMPI, resigned under pressure as general manager and was replaced by George L. Mehren, former assistant Secretary of Agriculture.

Mr. Mehren declines through a spokesman to be interviewed, and President Nixon has denied the connection between the rise in the milk-price supports and the campaign-contribution pledge.

Expenditures Pared

As soon as he took over, Mr. Mehren began an austerity program to pare expenditures from the high Nelson level, but he made no attempt to cut back in the coop's political activities.

Indeed, Mr. Mehren, noting that governmental actions had direct and major impact on dairy farmers' livelihoods, pledged to members last year "to continue to fulfill our obligation to represent our mem-



Associated Press

George L. Mehren replaced Harold S. Nelson, below, as general manager of Associated Milk Producers, Inc., in 1972.



The New York Times

20 States Covered —Leaders Shifted in Early 1972

untarily contribute \$99.90 a year for political uses. The checkoffs of contributions stop below \$100 to avoid what the bookkeeping required by law when donations exceed that amount. Thus, with some 40,000 members, AMPI has a potential of raising close to \$4-million each year to fuel its political machinery.

AMPI's members are spread over 20 states, from South Dakota to Ohio and from Minnesota to Texas. The cooperative supplies more than 75 per cent of the milk in such major markets as Chicago, Indianapolis, Houston, Dallas, Memphis and Oklahoma City.

That means big money. Sales totalled \$1.1-billion in the year ended last June 30.

In Collective Bargaining

In addition to lobbying and monitoring Government activity, AMPI is the collective bargainer for its members on prices and terms with the creameries that process the coop's raw milk. It also handles the collection and transportation of the milk to the plants and the diversion of surplus milk from one area to another in deficit supply, and it collects and accounts for creamery payments and distributes the income to members.

With a staff of about 175 persons, AMPI is divided into three operating regions headquartered in San Antonio, Chicago, and Sibley, Iowa. It has a manufacturing division at Mason City, Iowa, that oversees 39 plants with some 3,500 employees that make milk by-products, including the country's largest cheese plant at Portage, Wis.

AMPI also has subsidiaries that make loans to members.

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and produce and distribute private-label ice cream, butter and cheese products.

The formation of large regional cooperatives such as AMPI grew out of years of chronic excess milk supplies in the nineteen-fifties and early sixties and low returns to farmers. Between 1940 and 1964 milk production rose in the nation from 111-billion pounds a year to almost 127-billion as per-capita consumption declined from 818 pounds to 631 a year. Milk producer income reached a low of 33 cents per hour of labor in 1960. The number of farms with milk cows declined by almost two-thirds from 1955 to 1965.

Some internecine competition developed among cooperatives. Southern producers charged that northern coops undermined their markets by shipping surplus milk to the southern market.

Between 1950 and 1958 the number of dairy cooperatives shrank nearly 50 per cent to 1,100. At the same time the processing industry began moving from mostly local operations into regional and national concerns, and food chains entered the business. Both of these had greater ability to dictate prices to producers.

To better control their markets, cooperatives started to organize into federations, and merged with each other.

Mr. Nelson, the San Antonio lawyer behind AMPI, was a moving force behind one of the early federations, the Texas Milk Producers, which hired him as manager.

In 1967, Mr. Nelson became manager of Milk Producers, Inc., formed by the consolidation of six producers organization of six producer organization Texas and Arkansas. About this time, Mr. Nelson also formed a working partnership with David L. Parr, the manager of one of the Arkansas cooperatives merged into MPI and a major fund-raiser for Representative Wilbur Mills, Democrat of Arkansas and chairman of the House Ways and Means Committee.

Mr. Nelson and Mr. Parr provided much of the impetus behind the cooperative merger movement.

MPI brought in other organizations in the southwest and midwest and in 1969, merged with 14 cooperatives, primarily in the Chicago milk area to form AMPI.

In a study of the cooperative movement in August, 1971, Ronald D. Knutson, then associate professor of agricultural economics at Purdue University in Indiana cited AMPI and other large cooperatives as models for agriculture generally.

Noting their success in raising milk prices paid by processors, Mr. Knutson, now supervisor of farmer cooperative services in the Department of Agriculture, wrote:

"This bargaining experiment may be one of the first times cooperatives have succeeded in raising farm prices of a major agricultural product throughout a large area of the country. The dairy experience now makes cooperative bargaining a tool for producers of other farm products to consider seriously."

That was before Watergate, and before allegations that AMPI and other large dairy cooperatives had become involved in illegal political contributions.

From its inception AMPI has emphasized the need for political action to foster the interest of its members.

At the cooperative's first annual meeting in San Antonio in 1968, it attracted Representative Mills and Senator J. William Fulbright, Democrat of

Arkansas, and another local politician, President Lyndon B. Johnson, also a Democrat. At the 1971 convention in Chicago, 40,000 members sat down to dinner in the McCormick Convention Center with President Nixon.

AMPI under Mr. Nelson was what one member describes as a "very high-cost operation." Some members say privately that they believe they were not receiving their fair share of what the cooperative was collecting from processors.

Mr. Nelson, whose salary was \$100,000 a year, and his staff, used four airplanes to survey their widespread operations.

Mr. Nelson is awaiting trial on charges that he perjured himself last September in testifying before a Federal grand jury in Little Rock, Ark., investigating illegal campaign contributions. Mr. Parr, and another departed AMPI official, Keiter L. Howard, pleaded guilty to the same charges and were fined \$2,500 apiece and placed on 18-months probation.

Mr. Mehren, who joined AMPI as a consultant in 1968 after serving as Assistant Secretary of Agriculture in the Kennedy and Johnson Administrations, has gotten rid of the airplane fleet, except for one, owned by the late President Johnson's holding company.

AMPI pays the holding company, Western Wildflower, a minimum of \$94,000 a year for first call on a 13-seat turbo-prop craft stationed at the LBJ Ranch, about 50 miles north of San Antonio. Mr. Mehren attempted to terminate the lease, only to find that Mr. Nelson, just before he left as general manager, had signed a binding contract extending the agreement into 1977. Mr. Mehren has subsequently signed the contract himself, an action questioned by some AMPI members.

Another criticism heard about the present management is that Mr. Nelson, although resigned as general manager in January, 1972, was retained on the AMPI payroll as a consultant until Oct. 15, 1973.

Mr. Mehren testified in a deposition in connection with the Justice Department's antitrust

suit that he went to the LBJ Ranch in October, 1972, to seek the advice of former President Johnson on a solicitation from a Nixon fund-raiser for more than \$500,000. Mr. Mehren said he finally decided to limit further AMPI contributions to Congressional candidates.

Mr. Mehren also has testified in a deposition taken by a Senate investigator that he attended a meeting on March 16, 1972, with then Secretary of the Treasury John B. Connally. Also at this meeting in the Secretary's office were Mr. Nelson and Jake Jacobsen, an Austin, Tex., lawyer and long-time friend of Mr. Connally's.

Connally Made Call

At that meeting, Mr. Mehren told the investigator, the Government's antitrust suit was discussed with Mr. Connally, who then picked up a telephone and spoke "rather harshly," apparently to former Attorney General John N. Mitchell, then director of the Committee for the Re-election of the President.

Outside of the political ken, AMPI still faces that host of antitrust suits. While Federal law permits the formation of cooperatives as monopolies within certain bounds, the organizations are subject to the same trust laws as other corporations once they are established.

The pending suits charge that AMPI conducted such predatory practices as flooding markets with milk in unfair competition with competing cooperatives.

But, says a spokesman for AMPI, "that's not really our problem. Our big problem is these tremendous increases in costs to dairy farmers over the last year. Our problem is in finding a price consumers are willing to pay that will leave some profit for farmers."