GAO

**United States**
**General Accounting Office**
**Washington, D.C. 20548**

**National Security and**
**International Affairs Division**

B-283068

August 20, 1999

The Honorable Herbert H. Bateman
Chairman, Subcommittee on Military Readiness
Committee on Armed Services
House of Representatives

Subject: National Defense Stockpile: Sales Revenue and Inventory Data

Dear Mr. Chairman:

This report provides initial information in response to your request that we examine the management and funding of the National Defense Stockpile. The stockpile is maintained to minimize dependence on foreign sources of strategic and critical materials in times of national emergency. As agreed with your office, this report provides interim information on projected stockpile sales from the fiscal year 1999 through fiscal year 2010 and the projected remaining inventory from fiscal year 1998 through fiscal year 2010. Our final report to you will provide information on projected uses of funds and remaining cash balances and our overall views on stockpile funding, including whether expected sales revenues can cover stockpile expenses.

## RESULTS IN BRIEF

Projected stockpile sales between fiscal years 1999 and 2010 peak at about $438 million in fiscal year 2000 (in current year dollars projected from September 30, 1998). The projected decline in sales during this period is rapid starting in fiscal year 2002, with anticipated sales of $18 million by fiscal year 2010. Projected inventory levels decline from $4.1 billion at the end of fiscal year 1998 to $1.4 billion at the end of fiscal year 2010. Of the $1.4 billion in remaining inventory, $0.3 billion will be available for sale, and $1.1 billion cannot yet be sold under current authorizing legislation.

## SALES OF STOCKPILE COMMODITIES

Under the Strategic and Critical Materials Stock Piling Act (50 U.S.C. 98 et seq.), the stockpile is managed by the Defense National Stockpile Center and all proceeds are deposited in a U.S. Treasury transaction account that is used to fund all operations of the stockpile. Since fiscal year 1994, the primary source of funds for stockpile operations has been stockpile sales revenues deposited in the transaction fund. (Before that, stockpile operations were funded by an annual appropriation.) Gross sales of stockpile inventory resulted in deposits of $504 million during fiscal year 1998. (Gross sales revenue would be reduced by expenses to arrive at net gains or losses for the fund.) Figure 1 shows estimated revenues from sales of the stockpile inventory for fiscal years 1999 through 2010.

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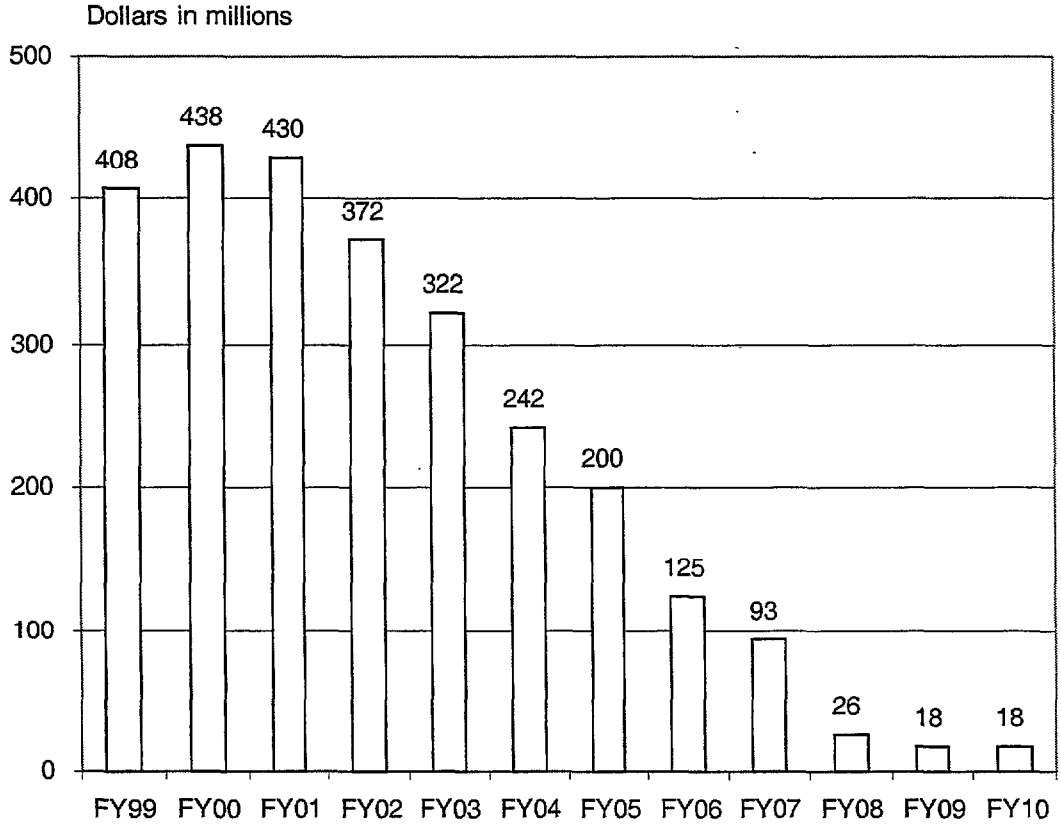
Figure 1: Estimated Gross Revenues from the Sale of Stockpile Inventory for Fiscal Years 1999 to 2010




**Source: Defense National Stockpile Center.**

Figure 1 shows that gross sales revenues are expected to decline rapidly after peaking in fiscal year 2000 at over $400 million. By fiscal year 2010, gross sales are projected to be about $18 million. Details on estimated sales of stockpile commodities are in enclosure I.

REMAINING STOCKPILE INVENTORY

The stockpile inventory was valued at about $4.1 billion as of September 30, 1998.[1] Figure 2 shows that as stockpile assets are sold off, the inventory will decline.

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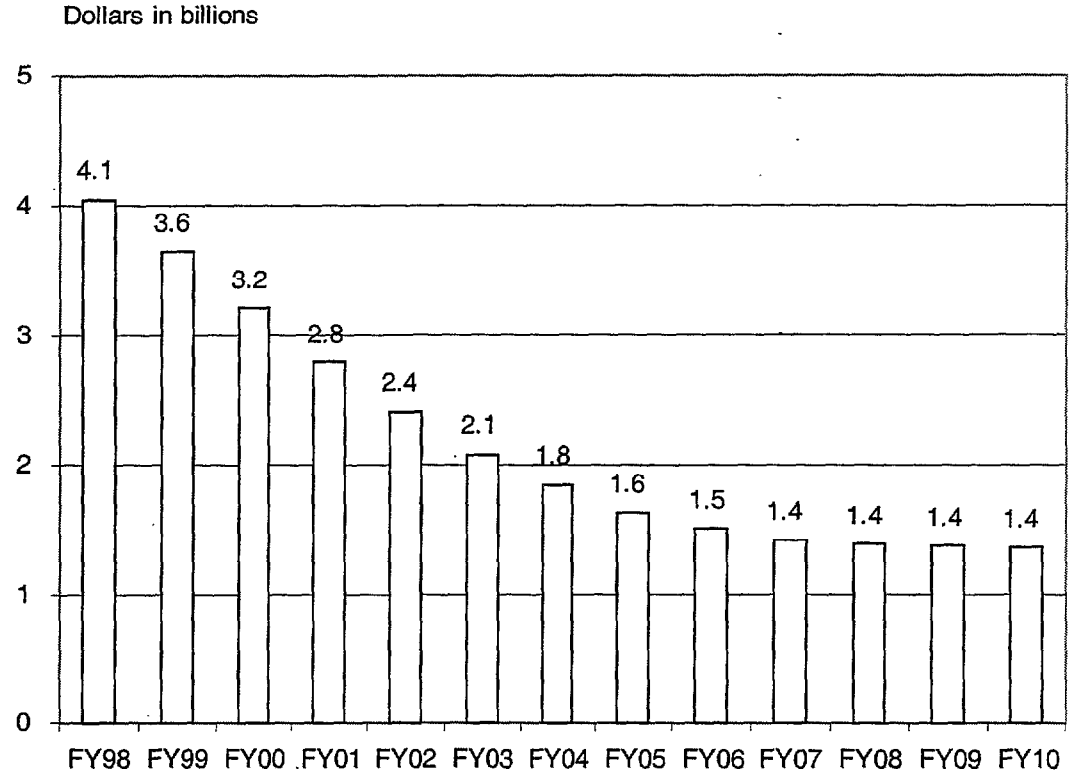
[1]According to the Defense National Stockpile Center, this value is based on September 30, 1998, prices at which comparable materials are being traded. In the absence of current trading data, market values are estimated. Unaudited stockpile financial statements for fiscal year 1998 reported inventory and related property of about $3.1 billion on a historical cost basis (acquisition plus fees) and $4.4 billion at market value. According to stockpile staff, the difference in estimated market values presented in figure 2 and the fiscal year 1998 financial statements was because the financial statement disclosure of market value was not based on September 30, 1998, data.

Figure 2: Value of the Stockpile Inventory for Fiscal Years 1998 (reported) and 1999 to 2010 (projected)




**Source: Defense National Stockpile Center.**

The figure shows that inventory is projected to decline steadily from $4.1 billion at the end of fiscal year 1998 and then flatten out after fiscal year 2006 at $1.4 billion.

The $1.4 billion worth of inventory remaining in fiscal year 2010, according to projections, consists primarily of about $1 billion in materials not yet authorized for sale by Congress.[2] Over $0.3 billion of the inventory is authorized for sale but will not have been sold by fiscal year 2010. Of this amount, DOD believes about $13 million in critical materials should be retained–$13.080 million in beryllium metal, $0.067 million in quartz crystal, and only $180 in mica.[3] Enclosure II shows a breakdown of the inventory at the end of fiscal year 2010 by commodity.

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[2] Current authorization legislation is contained in the National Defense Authorization Act for Fiscal Year 1999 (P.L. 105-261, Title III, §304).

[3] Beryllium is used in electronics, electrical components, and aerospace and defense applications. Quartz is used in electronics. Mica is used in electrical devices, paints, plastics, and rubber products. Dollar values are taken from the fiscal year 1999 Stockpile Requirements Report.

## SCOPE AND METHODOLOGY

Information on projected stockpile sales revenues and inventory was provided by the Defense National Stockpile Center. The Center used inventory balances as of September 30, 1998, as reported in the fiscal year 1998 stockpile report to Congress, in its projections through fiscal year 2010. Its estimates for the fiscal years 1998 through 2010 were in current September 30, 1998, dollars. The unit prices used in the Center's projections for commodities that the Center has sold are based on the past 3-year average price. The unit price used in the Center's projections for commodities that the Center has not sold are based on a 3-year average of quoted market prices. Changes in commodity prices could have a significant effect on the projections. In addition, recommendations by the stockpile advisory committee (Market Impact Committee) which advises the stockpile manager, could also have a significant impact on the Center's projections. We did not evaluate the methodology used by the Center to make projections. Also, the DOD Inspector General did not audit the stockpile transaction fund financial statements for fiscal year 1998. The stockpile is not considered material to DOD's consolidated financial statements prepared under the requirements of the Chief Financial Officers Act of 1990, as amended by the Government Management Reform Act of 1994.

## AGENCY COMMENTS AND OUR EVALUATION

The Department of Defense (DOD) concurred with the report. In addition, DOD stated that future environmental cleanup costs would substantially decrease the funds available for other projects. DOD also stated that the projections for future revenues are contingent on the fluctuating value of the marketable inventory. We are continuing to review these stockpile revenues and expenses and will evaluate the issues raised by DOD as part of that work. DOD's comments are included in appendix III.

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As arranged with your office, we plan no further distribution of this letter until 30 days from its issue date, unless you publicly announce the letter's contents earlier. We will send copies to the Honorable William S. Cohen, Secretary of Defense; the Honorable Jacob J. Lew, Director, Office of Management and Budget; Lieutenant General Henry T. Glisson, Director, Defense Logistics Agency; and other interested parties.

Please contact me on (202) 512-8412 if you have any questions about this report. Major contributors to this report were Uldis Adamsons, Fred Lundgren, and Leo Clarke III.

Sincerely yours,

for Charles I. Patton, Jr.

David R. Warren, Director
Defense Management Issues

APPENDIX I

DEFENSE NATIONAL STOCKPILE CENTER PROJECTED SALES OF COMMODITIES FOR FISCAL YEARS 1999 – 2010

Dollars in millions

| Commodity | Fiscal year | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | Total for 1999-2010[a/] |
| Aluminum oxide, abrasive grain | $1.4 | $1.4 | $1.4 | $1.4 | $1.4 | $1.3 | 0 | 0 | 0 | 0 | 0 | 0 | $8.3 |
| Aluminum oxide, fused crude | 10.3 | 10.3 | 4.4 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 25.0 |
| Antimony | 5.7 | 5.7 | 5.7 | 5.7 | 5.7 | 4.1 | 0 | 0 | 0 | 0 | 0 | 0 | 32.6 |
| Asbestos amosite | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Asbestos chrysotile | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Asbestos crocidolite | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Bauxite, metal grade, Jamaican | 12.2 | 12.2 | 12.2 | 12.2 | 12.2 | 4.0 | 0 | 0 | 0 | 0 | 0 | 0 | 64.9 |
| Bauxite, metal grade, Surinam | 8.0 | 8.0 | 8.0 | 0.6 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 24.4 |
| Bauxite, refractory | 2.3 | 0 | 0.3 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 2.6 |
| Beryl ore | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 | $0.3 | $0.3 | 0 | 0 | 0 | 0 | 2.6 |
| Beryllium copper master alloy | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.6 | 0 | 0 | 0 | 0 | 0 | 0 | 30.6 |
| Beryllium metal | 4.2 | 8.4 | 8.4 | 5.2 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 26.2 |
| Bismuth | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Cadmium | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | $0.2 | $0.2 | $0.2 | $0.2 | 2.0 |
| Celestite | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Chromite chemical | 0.8 | 0.8 | 0.8 | 1.4 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 3.9 |
| Chromite refractory | 0.7 | 0.7 | 0.7 | 0.8 | 0.7 | 0.3 | 0 | 0 | 0 | 0 | 0 | 0 | 3.9 |
| Chromite, metallurgical grade | 3.7 | 3.7 | 1.9 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 9.3 |
| Chromium metal | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Chromium, ferro high carbon | 11.1 | 44.8 | 49.8 | 28.0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 133.7 |

APPENDIX I

| Commodity | Fiscal year | | | | | | | | | | | | Total for 1999-2010[a/] |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | |
| Chromium, ferro low carbon | 2.1 | 3.1 | 3.1 | 3.1 | 3.1 | 3.1 | 3.1 | 3.1 | 3.1 | 3.1 | 3.1 | 3.1 | 36.0 |
| Chromium, ferro silicon | 0 | 2.8 | 2.8 | 2.8 | 2.8 | 2.8 | 2.8 | 2.8 | 2.8 | 2.8 | 2.8 | 2.8 | 30.3 |
| Cobalt | 62.0 | 62.0 | 62.0 | 49.1 | 72.9 | 62.0 | 58.2 | 0 | 0 | 0 | 0 | 0 | 428.2 |
| Columbium carbide powder | 0.3 | 0.1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0.4 |
| Columbium concentrates | 0.5 | 0.5 | 0.5 | 0.5 | 0.2 | 0.2 | 0 | 0 | 0 | 0 | 0 | 0 | 2.4 |
| Columbium metal | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 | 0 | 0 | 0 | 0 | 0 | 0 | 1.7 |
| Columbium, ferro | 2.0 | 2.2 | 1.6 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 5.8 |
| Diamond dies | 0.1 | 0.1 | 0.1 | 0.1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0.3 |
| Diamond industrial crushing bort | 0.3 | 0.1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0.3 |
| Diamond industrial stone | 4.8 | 8.0 | 8.0 | 10.2 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 31.0 |
| Fluorspar, acid grade | 6.3 | 0.6 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 6.9 |
| Fluorspar, metallurgical grade | 1.3 | 1.3 | 1.3 | 1.3 | 1.3 | 0.3 | 0 | 0 | 0 | 0 | 0 | 0 | 6.7 |
| Germanium | 8.9 | 7.1 | 7.1 | 5.8 | 4.6 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 33.4 |
| Graphite ceylon amorphous(lump) | 0 | 0 | 0 | 0.3 | 0.9 | 0.5 | 0 | 0 | 0 | 0 | 0 | 0 | 1.6 |
| Graphite, natural Malagasy | 0.5 | 0.5 | 0.5 | 0.4 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 2.0 |
| Graphite, other than Ceylon & Malagasy | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Indium | 0.1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0.1 |
| Iodine | 4.7 | 4.7 | 4.7 | 4.7 | 4.7 | 1.0 | 0 | 0 | 0 | 0 | 0 | 0 | 24.6 |
| Jewel bearings | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Kyanite | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

APPENDIX I

| Commodity | Fiscal year | | | | | | | | | | | | Total for 1999-2010[a/] |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | |
| Lead | 21.1 | 21.1 | 21.1 | 21.1 | 21.1 | 21.1 | 21.1 | 21.1 | 21.1 | 7.8 | 0 | 0 | 197.8 |
| Manganese dioxide, battery grade, natural | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 0 | 0 | 0 | 0 | 8.2 |
| Manganese dioxide, battery grade, synthetic | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 4.5 | 0 | 0 | 0 | 0 | 4.5 |
| Manganese ore, chemical grade | 0.4 | 0.4 | 0.4 | 0.4 | 0.4 | 0.4 | 0.4 | 0.4 | 0.4 | 0.4 | 0.4 | 0.4 | 4.5 |
| Manganese ore, metallurgical grade | 4.6 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 1.9 | 25.0 |
| Manganese, ferro high carbon | 9.2 | 6.5 | 6.5 | 6.5 | 6.5 | 7.5 | 9.2 | 9.2 | 9.2 | 9.2 | 9.2 | 9.2 | 97.9 |
| Manganese, ferro medium carbon | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Manganese, ferro Silicon | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Manganese, metal | 2.7 | 2.7 | 2.7 | 2.7 | 1.8 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 12.8 |
| Mercury | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Mica, muscovite block, stained & better | 0.2 | 0.2 | 0.2 | 0.2 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1.0 |
| Mica, muscovite block, stained & lower | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Mica, muscovite film, 1st & 2nd Qualities | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Mica, muscovite splittings | 0.2 | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 | 0 | 0 | 0 | 0 | 2.3 |
| Mica, phogopite block | 0.2 | 0.2 | 0.2 | 0.1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0.7 |

| Commodity | Fiscal year | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | Total for 1999-2010[a] |
| Mica, phogopite splittings | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0.1 | 0 | 0 | 0 | 0 | 0.3 |
| Morphine sulfate (analgesics) | 1.1 | 0.3 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1.4 |
| Nickel | 12.7 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 12.7 |
| Platinum group metals, iridium | 0.9 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0.9 |
| Platinum group metals, palladium | 17.6 | 23.4 | 23.4 | 23.4 | 22.0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 109.9 |
| Platinum group metals, platinum | 29.6 | 36.9 | 36.9 | 36.9 | 22.1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 162.5 |
| Quartz crystals | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Quinidine | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.6 |
| Quinine | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0 | 0 | 0 | 0 | 1.5 |
| Ricinoleic/ sebacic acid products | 0.5 | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 | 3.9 |
| Rubber, natural | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Silicon carbide | 2.0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 2.0 |
| Silver | 12.0 | 12.0 | 12.0 | 12.0 | 12.0 | 12.0 | 12.0 | 12.0 | 9.30 | 0 | 0 | 0 | 105.0 |
| Talc ground | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Talc steatite block & lump | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0.2 |
| Tantalum carbide powder | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0 | 0 | 0 | 0 | 0 | 0 | 1.2 |
| Tantalum metal | 2.2 | 3.5 | 3.5 | 3.5 | 1.0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 13.5 |
| Tantalum metal powder | 3.4 | 6.8 | 6.8 | 4.3 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 21.4 |
| Tantalum minerals | 5.0 | 5.0 | 5.0 | 5.0 | 2.5 | 0.1 | 0 | 0 | 0 | 0 | 0 | 0 | 22.6 |
| Tantalum oxide | 0.6 | 0.6 | 0.6 | 0.6 | 0.6 | 0.6 | 0 | 0 | 0 | 0 | 0 | 0 | 3.4 |
| Thorium nitrate | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Tin | 52.8 | 52.8 | 52.8 | 52.8 | 52.8 | 52.8 | 52.8 | 52.8 | 38.7 | 0 | 0 | 0 | 460.8 |

APPENDIX I

| Commodity | Fiscal year | | | | | | | | | | | | Total for 1999-2010[a] |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | |
| Titanium sponge | 13.9 | 13.9 | 13.9 | 14.8 | 14.8 | 13.9 | 13.9 | 13.9 | 5.9 | 0 | 0 | 0 | 121.6 |
| Tungsten carbide powder | 8.9 | 8.9 | 4.8 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 22.7 |
| Tungsten ferro | 0.8 | 0.8 | 1.1 | 1.1 | 1.1 | 0.1 | 0 | 0 | 0 | 0 | 0 | 0 | 4.9 |
| Tungsten metal powder | 1.2 | 1.2 | 1.2 | 1.2 | 1.2 | 1.3 | 0 | 0 | 0 | 0 | 0 | 0 | 7.4 |
| Tungsten ores & concentrates | 8.4 | 8.4 | 8.4 | 8.4 | 8.4 | 8.4 | 0 | 0 | 0 | 0 | 0 | 0 | 50.3 |
| Vanadium pentoxide | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Vegetable tannin extract, chestnut | 0.8 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0.8 |
| Vegetable tannin extract, quebracho | 0.4 | 0.4 | 0.4 | 0.4 | 0.4 | 0.4 | 0.4 | 0.4 | 0.4 | 0.4 | 0.4 | 0.4 | 5.0 |
| Vegetable tannin extract, wattle | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.1 | 0 | 0 | 1.8 |
| Zinc | 33.0 | 33.0 | 33.0 | 33.0 | 33.0 | 33.0 | 21.7 | 0 | 0 | 0 | 0 | 0 | 219.5 |
| Zirconium | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Total[a]** | $408.0 | $437.7 | $429.9 | $371.6 | $322.0 | $241.8 | $200 | $124.6 | $93.5 | $26.1 | $18.2 | $18.2 | $2,694.1 |

[a]The sum of the columns and rows may not agree with the totals due to rounding.
Source: Defense National Stockpile Center.

DEFENSE NATIONAL STOCKPILE CENTER
ESTIMATED VALUE OF THE NATIONAL DEFENSE STOCKPILE INVENTORY
AT THE END OF FISCAL YEAR 2010

| Status of commodity[a] | Estimated value of inventory at the end of fiscal year 2010 |
|---|---|
| **Available for sale** | |
| Asbestos | 0 |
| Cadmium | $12,963.18 |
| Chromium, ferro low carbon | 199,075,268.73 |
| Chromium, ferro silicon | 7,233,513.12 |
| Manganese ore, chemical grade | 10,659,976.00 |
| Manganese, ferro high carbon | 84,533,733.93 |
| Manganese ore, metallurgical grade | 41,495.22 |
| Mercury | 0 |
| Quinidine | 367,500.79 |
| Ricinoleic/sebacic acid products | 837,252.00 |
| Vegetable tannin extract, quebracho | 22,464,091.80 |
| **Subtotal** | $325,225,794.77 |
| | |
| **Material not authorized for sale** | |
| Beryllium metal | $78,480,000.00 |
| Bauxite, refractory | 3,187,600.00 |
| Chromium metal | 39,491,040.00 |
| Chromium, ferro high carbon | 308,762,939.00 |
| Jewel bearings[b] | 0 |
| Manganese, ferro high carbon | 48,179,012.56 |
| Mica | 180.00 |
| Platinum group metals, iridium | 4,902,300.00 |
| Platinum group metals, palladium | 72,846,840.18 |
| Quartz crystal | 1,026,626.10 |
| Tantalum metal | 12,984,624.00 |
| Tantalum metal powder | 6,156,898.60 |
| Thorium nitrate | 0 |
| Zirconium | 0 |
| **Subtotal** | $576,018,060.44 |
| | |
| **Remaining balances for inventory authorized for other programs**[c] | |
| Cobalt | $75,414,211.50 |
| Germanium | 28,009,903.32 |
| Rubber, natural | 67,538,646.20 |
| Columbium metal | 1,139,652.50 |
| Columbium concentrates | 5,293,367.44 |
| Tantalum minerals | 52,479,050.32 |
| Tantalum carbide powder | 304,262.40 |
| Tantalum oxide | 935,550.00 |
| Tungsten ores & concentrates | 216,234,240.15 |
| Tungsten ferro | 1,917,974.24 |
| Tungsten metal powder | 11,847,394.65 |
| **Subtotal** | $461,114,252.72 |
| | |

| Status of commodity[a] | Estimated value of inventory at the end of fiscal year 2010 |
|---|---|
| **Ending inventory value** | $1,362,358,107.92 |

Source: Defense National Stockpile Center.

[a]Asbestos and mercury show no value because Defense National Stockpile Center estimates there is no demand for any remaining asbestos and environmental concerns prevent the sale of mercury.

[b]Jewel bearings are not authorized for sale; however, they are valued at zero because Defense National Stockpile Center estimates that there is no market demand for jewel bearings.

[c]These commodities can be sold until specific sales goals are reached and the receipts transferred to specific mandated programs. Once the sales goals are met, the commodities can no longer be sold. The Defense National Stockpile Center estimates that these will be the remaining balances as of the end of fiscal year 2010.

APPENDIX III

COMMENTS FROM THE DEPARTMENT OF DEFENSE

DEFENSE LOGISTICS AGENCY
HEADQUARTERS
8725 JOHN J. KINGMAN ROAD, SUITE 2533
FT. BELVOIR, VIRGINIA 22060-6221

AUG 4 1999

IN REPLY
REFER TO

Mr. David R. Warren
Director, Defense Management Issues
National Security and Internal Affairs Division
U.S. General Accounting Office
Washington, D.C. 20548

Dear Mr. Warren,

This is the Department of Defense (DoD) response to the General Accounting Office (GAO) draft report, 'NATIONAL DEFENSE STOCKPILE: Sales, Revenue and Inventory Data,' dated July 6, 1999 (GAO Code 709395/OSD Case 1860). We have reviewed and concur with the subject report. We think it is worth noting that future environmental cleanup costs will substantially decrease the funds available for other projects. Also, the projections for future revenues are contingent on the fluctuating value of the marketable inventory. We recommend the following addition to footnote 3 on page 4, "Dollar values taken from the 1999 Requirements Report."

If you have any questions, please contact Sharon Entsminger on (703) 767-6267.

Sincerely,

JEFFREY GOLDSTEIN
Chief, Internal Review Office

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Washington, D.C. 20548-0001

Bulk Rate
Postage & Fees Paid
GAO
Permit No. G100

Official Business
Penalty for Private Use $300

Address Correction Requested