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EXECUTIVE OFFICE OF THE PRESIDENT

BUREAU OF THE BUDGET

WASHINGTON 25, D. C.

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Authority NLE 2009-73By MLV NLDD Date 8/10/10

January 13, 1956

MEMORANDUM FOR THE DIRECTOR

Subject: Stockpile program

With reference to the discussions at the National Security Council meeting yesterday morning, one of the difficulties in understanding the stockpile program is the division of responsibility between a number of agencies, principally Interior, Commerce, ODM, and GSA.

As I understand it, Interior is responsible for establishing the mobilization base for each commodity. This purports to be the minimum peacetime domestic productive capacity which could be expanded in wartime to meet the demands of a five-year wartime requirement. Stockpile objectives fill the difference between this productive capacity plus estimated imports and the wartime needs. The quantities obtainable from foreign sources, taken into consideration in computing the minimum stockpile requirements are based on current shipments from abroad discounted liberally to cover possible damage and losses from war actions. In arriving at the long-term objective, the only foreign sources considered are Canada, Mexico and the Caribbean. Chile and Peru are not included in the computation of the long-term requirements. The President mentioned that he thought we could count on getting supplies from Chile and Peru in one way or another.

The Cabinet Committee on Minerals Policy originated the concepts of the long-term objective, discounting receipts from foreign sources other than Canada and the Caribbean, and also a minimum stockpile requirement of a full year's peacetime domestic consumption. This overriding concept was not referred to at all in the NSC meeting and I think it ought to be reconsidered because it is a source of a lot of our difficulty. This one-year concept increases the long-term objective for several materials; for example, in the case of aluminum, the five-year objective is 1,000,000 tons; our annual consumption is over 2,000,000 tons; under this policy, we are obligated to use 2,000,000 tons as the long-term objective. Similar situations occur in other materials such as lead, zinc and magnesium.

Commerce enters the scene through its Business and Defense Services Administration (BDSA) which determines the essential civilian requirements during wartime and estimates the fabricating and productive capacity for end items needed for war purposes.

ODM has the basic responsibility for establishing the official stockpile objectives after reviewing the requirements submitted by Defense, by Commerce, and AEC. These objectives are actually formulated

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through the Interdepartmental Materials Advisory Committee and several lower level subcommittees dealing with specific commodities. Several other departments and agencies are represented on these committees. State advises on the economic impact of our proposals on the economy of other countries and the stability of other governments, also the effect on our foreign relations. AEC advises on its requirements during wartime. CIA furnishes strategic information. Agriculture advises on the agricultural commodities. The Bureau of Narcotics in the Department of Treasury is consulted on opium. The Tariff Commission and other agencies are also consulted from time to time.

After policies have been formulated, ODM issues annually, subject to later amendment, a procurement directive to GSA in quantities for each commodity. This is accompanied by such policy guides as are needed to indicate the urgency or otherwise and price ranges. GSA then makes the contracts, stores the commodities, and submits monthly reports to ODM and the Bureau of the Budget, and semi-annual reports to Congress.



This complex organization is further complicated by the fact that there are two means for acquiring commodities: (1) through the Defense Production Act borrowing authority, and (2) through direct appropriation for the stockpile.

Since Korea, long-term contracts have all been placed through the borrowing authority in order to enable more flexibility with respect to the commodities to be acquired. They can be turned over to the stockpile or sold to industry. For example, aluminum sheets and machine tools were contracted for under the borrowing authority while aluminum pig was purchased both under the borrowing authority and under the stockpile appropriation. Copper is also purchased in part through the borrowing authority and part through the stockpile direct. When materials are transferred from borrowing authority to stockpile, they are sold at cost or market, whichever is lower.

At yesterday's meeting of the National Security Council, the President indicated very clearly that he wishes to have a three-year wartime requirement established for the minimum stockpile which is to be procured on an emergency basis. This should be substantially filled before the end of fiscal year 1957. The long-term requirement he wants on a five-year basis to be acquired only when prices are right. This should be made clear in the ODM instructions to GSA. No mention was made of the one-year consumption requirement superimposed on both the three-year and five-year long-term objectives. This, I think, should be reexamined by the Cabinet since it was a recommendation of the Cabinet Committee. Possibly it should be brought up before the DMB first. Conditions have changed drastically since that concept was originated. Our domestic and Canadian production of aluminum, for example, has practically doubled since Korea and so has our domestic consumption.

Paul Brundage
Deputy Director

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Authority NLE 2009-13
By MMK NLDDE Date 8/10/10

Open-to-Buy on ~~Three-Year~~ Basis at Start of Fiscal Year 1956

Minimum Stockpile

	<u>Quantity</u>	<u>Millions of Dollars</u>
Bauxite, Jamaican	2.3 million tons	33.3
* Fluorspar, Metallurgical ✓	217 thousand tons	10.3
* Magnesium	46.5 thousand tons	27.9
Fluorspar, Metallurgical	217 thousand tons	10.3
Mica ✓	11.45 million pounds	53.0
* Titanium ✓	9.7 thousand tons	91.9
All others		3.6
Total		<u>220.0</u>



Long-Term Stockpile

	<u>Quantity</u>	<u>Millions of Dollars</u>
* Aluminum	120 thousand tons	51.6
Bauxite, Jamaican	2.3 million tons	33.3
* Bauxite, Surinam	2.31 million tons	44.1
* Copper	30 thousand tons	22.1
Diamonds, hort ✓	10.9 million karats	24.0
* Fluorspar, Metallurgical ✓	217 thousand tons	10.3
* Lead	230 thousand tons	69.0
* Magnesium	46.5 thousand tons	27.9
Mica ✓	16.68 million pounds	77.0
* Titanium ✓	9.7 thousand tons	91.9
* Zinc	120 thousand tons	33.1
All others		<u>121.7</u>
Total		<u>606.0</u>

* Substantial domestic industry

✓ Some opportunities for barter

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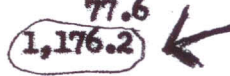
Minimum Stockpile

	<u>Quantity</u>	<u>Millions of Dollars</u>
Bauxite, Jamaican	2.9 million tons	42.0
Chrome, Metallurgical 1/	130 thousand tons	7.6
Diamonds, bort 1/	7.3 million karats	16.1
* Fluorspar, Metallurgical 1/	506 thousand tons	24.2
* Magnesium	46.5 thousand tons	27.9
Mica 1/	21.4 million pounds	132.0
Rubber 1/	10 thousand tons	8.7
* Titanium 1/	9.7 thousand tons	91.9
All others		<u>99.6</u>
Total		450.0



Long-Term Stockpile

* Aluminum	120 thousand tons	51.6
Bauxite, Jamaican	2.9 million tons	42.0
* Bauxite, Surinam	7.5 million tons	143.3
Chromite, Metallurgical 1/	2.3 million tons	136.0
Cobalt 1/	29.6 million pounds	77.6
* Copper	1.6 million tons	1,176.2
Diamonds 1/	38.1	
(Stones and bort)	38.1 million karats	90.3
* Fluorspar, Metallurgical 1/	506 thousand tons	24.2
* Lead 1/	230 thousand tons	69.0
* Magnesium	46.5 thousand tons	27.9
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Manganese, Metallurgical 1/	810 thousand tons	40.4
* Mercury 1/	25.2 thousand flasks	8.1
Mica 1/	31.15 million pounds	196.5
Rubber, nick natural 1/	10 thousand tons	8.7
Tin 1/	18 thousand tons	39.5
* Titanium 1/	9.7 thousand tons	91.9
* Zinc 1/	120 thousand tons	33.1
All others		<u>325.7</u>
Total		2,582.0



* Substantial domestic industry
1/ Some opportunities for barter