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EXECUTIVE
LE/ND4-3 (3)
FG11-6
ND4-3
FG240

EF

2:45 p.m., Wednesday
May 11, 1966

FOR THE PRESIDENT

FROM Joe Califano

Attached are the enrolled copies of 10 stockpile disposal bills ready for your signature.

Also attached is a proposed Presidential Statement which we can release when the Bills are signed. The Statement was prepared by Joe Moody and revised by Levinson and me. Jack Valenti and Bob Kintner have edited and approved. We recommend your approval of the Statement.

Attachments

EXECUTIVE (3)
ND 4-3
ST
ND
FG 11-6

May 10, 1966
9:00 a.m.

MEMORANDUM FOR MARVIN WATSON

I have told Governor Bryant that the President cannot keep the 11:00 a.m. appointment today, May 10, but that he should be available in case you had a chance to notify him that the President was available.

You asked for materials on the subjects that he intends to discuss with the President. An original and a carbon are attached.

Robert E. Kintner

THE WHITE HOUSE
WASHINGTON

MARVIN WATSON'S OFFICE CALLED

In Re: Governor Bryant's request to see the President, on the following subjects:

Stockpile Policy
Plans for Governors
Status of OEP
Industrial preparedness

Mr. Watson's secretary Ruby Moy said Mr. Watson would like you to call Governor Bryant after you have talked with Jim Jones concerning an appropriate time.

Office of Emergency Planning

Next week - Rec. 1:00 PM - 5/13/66.

May 7, 1966

MEMORANDUM FOR: Jim Jones

This will confirm that I talked to Governor Bryant and told him that he had a meeting with the President at 1:00 p. m., Friday, May 13, unless he heard from you or Mr. Watson to the contrary.

He wants to discuss Stockpile Policy, Plans for Governors, Status of OEP and Industrial Preparedness.

Robert E. Kintner

apts

EF

EXECUTIVE

LE/ND4-3
ND4-3
FG 410

(5)

MEMORANDUM

THE WHITE HOUSE

WASHINGTON

May 4, 1966
Wednesday - 5:30 p.m.

MEMORANDUM FOR THE PRESIDENT

FROM: Mike Manatos M.M.

Senator Stuart Symington called to say that his subcommittee had ordered reported to the full committee all of the House passed stockpile bills. As I indicated aboard the airplane Senator Cannon will handle these bills before the full committee tomorrow and perhaps we can get Mansfield to schedule them for action on Monday.

Mike

Howard W.

Excellent

L

Orig. to Mrs. Derrick

EXECUTIVE
PR18-3
FG240
ND4-3
CM/Copper

(3)

5/9/66

FOR IMMEDIATE RELEASE

The General Services Administration, manager of the national stockpiles of strategic and critical materials, today announced plans to accelerate its efforts to expand domestic copper production.

GSA asked that firms interested in participating in the copper program notify GSA immediately of their interests in expanding copper ore production and/or refining capacity over and above present levels in a short period of time.

Emphasis will be given to expanding copper ore production above increases in capacity now contemplated or underway by domestic producers of copper.

Firms seeking to begin early production of mining from presently held properties which are not now producing copper whether or not they may need Government assistance are urged to make their plans known to GSA by May 31, 1966. If such new mines can be brought into production early, prompt consideration will be given to such expansion proposals.

At that time, GSA will only undertake negotiations with firms which can produce copper from domestic facilities. One of the methods GSA will consider is copper purchase contracts under which the Government would be committed to purchase domestically produced copper on such terms and conditions as may be necessary to prov
additional production.

Under this copper production exp
also utilize, to the maximum extent pos
authorities available in such agencies a
Department of the Interior, and the Sm
agencies will work closely with GSA in
presented to the Government, and in de
assistance which might be most approp

To facilitate this cooperation a sr
established composed of representative
Department of Commerce, and Office o
representative acting as chairman.

Filed by Califano's office 1/5/68

GENERAL SERVICES ADMINISTRATION

FROM
THE ADMINISTRATOR

TO Joe Califano

Would like to release today for Sunday's paper if you approve.

5/6/66

GSA-WASH DC 62-15267

MEMORANDUM

Rec'd 4-29-66 4pm

£

EXECUTIVE (2)
LE/ND4-3
ND4-3

THE WHITE HOUSE

WASHINGTON

April 29, 1966
Friday - 3:15 p.m.

MEMORANDUM FOR THE PRESIDENT

FROM: Mike Manatos M.M.

I talked to Senator Stuart Symington just this afternoon in the hope I could see him about the stockpile disposal bills. Unfortunately, he was on his way to National Airport to catch a New York shuttle flight.

Symington assures me that he will do anything you want him to do on these bills, and I am to see him next week. He suggested he might poll his subcommittee if you were really anxious for action. I assured him you were and agreed to "discuss" the situation with you and report back to him. When I see him I will reassure him you would like all 10 of the bills reported and passed - the sooner the better.

If you have no objection I would like to suggest to Symington - should he give any indication of dragging his feet - that I would be glad to try to set up a telephone conversation or even a meeting with you.

gah/cl

DEPARTMENT OF STATE
ASSISTANT SECRETARY

April 23, 1966

TO: Mr. Califano

Tom Mann read this to Secretary McNamara who said he was in general agreement. He feels we should avoid taking action as damaging as this to the producing countries in Southeast Asia.

Anthony M. Solomon as

RECEIVED
JOE CALIFANO, JR.

1966 APR 25 PM 2 04

COPIES FROM S/S TO
M
E
DATE

MEMO TO PRESIDENT

6700

EXECUTIVE
ND 4-3
FG 105
CM/Rubber
PQ 1
FG 115

DEPARTMENT OF STATE
WASHINGTON

APR 23 1966

MEMORANDUM FOR THE PRESIDENT

Subject: Rubber Disposal Program

The revised rubber disposal program initiated March 21 would increase the 1965 rate of disposal of 10,000 tons per month to 16,000 tons per month. We have now had one month's experience with the new program and the following facts have emerged.

1. Prices in New York on which the General Services Administration sales are based have declined by 1 1/8¢ per pound.

2. Total sales for the month have been approximately 14,000 tons. The General Services Administration believes that its monthly sales are not likely to exceed 12,000-14,000 tons unless it were willing to cut drastically its selling price.

3. Those disposals which are related to the value of rubber products in defense contracts require the contractors to take up to four times the amount of rubber they consume under the contract. This, together with our open-ended sales policy, encourages short selling and puts added pressure on the market to our own and the rubber producers' disadvantage.

4. Rubber prices are not inflationary. In fact, for a number of reasons, including the competition from synthetics, natural rubber prices are in a long-term downward trend.

5. The impact of the price decline resulting, at least in part, from our increased government sales and the expectation of further increases and possibility of further price declines, due to our method of selling, has affected the economies of the major rubber producing countries and is creating serious concern and, in some cases, sparking strong political reactions against the United States.

6. The

6. The Malaysian Government has called an emergency meeting of the natural rubber producing countries, tentatively scheduled for May 2, for the specific purpose of discussing the United States rubber disposal program. These countries consider our disposal policy to be in sharp variance with our announced objective of promoting economic and social progress in Southeast Asia. This meeting could lead to angry and damaging recriminations against the United States.

7. A decline in the price of $.01 per pound represents an annual loss for the rubber producing countries of $51 million of which $22 million is concentrated in Malaysia. Thus the price decline of a few cents which would result from forcing the present 14,000 ton disposal average to 16,000 tons would cost the producing countries $150 - $200 million. On the other hand, the additional revenue gained for the United States Treasury by forcing a 2,000 ton increase in the disposal rate would be less than $1 million a month.

8. Experts agree that a 14,000 ton rate of disposal is more than ample to keep abreast of the deterioration problem caused by overlong storage since the rubber is stored frozen solid.

Recommendation:

It is recommended that:

We adopt the previous method of disposal separating direct government uses and commercial sales, however, raising the combined total to a monthly rate of 14,000 tons.

We seek at the upcoming emergency meeting of rubber producing countries to obtain their understanding and acceptance of this program. If this should prove impossible and the political cost seems too high, we should agree on a monthly rate of disposal somewhere between 12,000 and 14,000 tons.

Thomas C. Mann

Thomas C. Mann
Under Secretary
for Economic Affairs

E/OR/ICD/ISM:EEGetzin

MEMORANDUM

THE WHITE HOUSE

WASHINGTON

EXECUTIVE
LE/ND 4-3
ND 4-3
C M/Aluminum

Wednesday, April 6, 1966
5:30 p.m.

MEMORANDUM FOR THE PRESIDENT

FROM: Henry H. Wilson, Jr. HHW

I talked with Mendel Rivers yesterday about stockpiles and I spent two hours with Philbin in his office today.

Philip J.

This got into a long, involved, technical discussion, with which I will not now burden you.

But the sum of it is that Philbin has agreed to get all of the remaining bills out of Committee prior to June 1st.

This is pretty good.

He also said that a number of them, and possibly all of them, will have passed the House by then.

We dwelt particularly on the aluminum bill and he has agreed to get busy on it shortly after the Easter recess.

I have talked also with Charlie Schultze and Lawson Knott and they know of no pressing reason to move these bills just immediately, provided they are done during this year.

As to aluminum particularly, under the terms of the contract, no sales could be made this year anyway.

I will continue to watch this matter and to report to you.

I think there is no question but what this conference represents progress.

Philbin's counsel, Bill Cook, is a Republican and he was quite nervous throughout the conversation and quite unhappy about the concessions Philbin made as we proceeded.

**Regular distribution on blind cppies.

gah/ew

WH - Mr. Califano

gm (5)

EXECUTIVE
ND 4-3
CM/Rubber
FG 240
FG 11-6
FG 105
PQ 1

March 11, 1966

Dear Mr. Dryden:

The Department of State has been asked to concur in your undated letter to the Administrator of General Services, a copy of which is attached, concerning stockpile disposals of excess crude natural rubber.

If I interpret your letter correctly, it does two things: It removes all limitations on rubber disposals; and it authorizes disposal of excess rubber "in quantities and under conditions which GSA finds to be appropriate". This would appear to be pretty much of a blank check.

When we last discussed this problem in Mr. Califano's office, I said, in essence, that the Department was agreeable to any stockpile disposal rate which the Director of Emergency Planning and the Administrator of General Services determined would not be unduly disruptive of the world market. This was done in order to provide OEP and GSA with maximum flexibility in fixing disposal rates consistent with changing market conditions.

I also said at that time that if the rate of disposal fixed by OEP and the GSA should in fact prove to be unduly (repeat unduly) disruptive of the world market, either in terms of price or in terms of the effect on the exports of those developing countries which depend on rubber exports, then it would be necessary promptly to take corrective measures.

The Honorable
Franklin B. Dryden,
Acting Director,
Office of Emergency Planning,
Washington, D.C.

RECEIVED
MAR 2 1 1967
CENTRAL FILES

WH - Mr. Califano

EXECUTIVE

ND 4-3
CM/Rubber
FG 240
FG 11-6
FG 105
PQ 1

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1966 MAR 12 AM 10 36

The Honorable
Franklin B. Dryden,
Acting Director,
Office of Emergency Planning,
Washington, D.C.

JOE CALIFANO, JR.
RECEIVED

RECEIVED
MAR 21 1967
CENTRAL FILES

I also explained that the departure from established disposal programs would inevitably cause resentment in certain countries but that this would be manageable provided we kept the problem within reasonable bounds and, more particularly, provided we could move quickly and effectively in case major problems developed. The exporting countries should, of course, be informed of the new policies.

If, as I thought at the time, there was agreement on this general line of approach, would you agree to substituting the third and fourth paragraphs of your letter with the following single paragraph:

> "It has been decided to remove the particular restrictions and, instead, to permit OEP and GSA to determine the rate and terms of disposal of excess crude natural rubber in the stockpile with the aim of disposing of as much excess natural rubber as can be done consistent with avoidance of undue market disruption. The GSA should closely follow the national and world market situations and make its determinations on its own responsibility. If it should develop that the disposal program has caused undue market disruption then you should be prepared promptly to take such corrective measures as may be agreed upon by the United States Government agencies and departments concerned."

If this paragraph, or one incorporating the same line of thought, is acceptable to you, the Department will be pleased to concur in an amended draft.

Since Mr. Califano has been interested in this subject, I am sending a copy of this letter to him.

Sincerely,

/s/ THOMAS C. MANN

Thomas C. Mann

Cleared with E - Mr. Solomon

M:TCMann/ps

m:tcm

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF EMERGENCY PLANNING
WASHINGTON, D.C. 20504

OFFICE OF THE DIRECTOR

Honorable Lawson B. Knott, Jr.
Administrator of General Services
Washington, D. C. 20405

Dear Mr. Knott:

Our letter of August 27, 1964, prescribed certain conditions under which General Services Administration was authorized to dispose of excess crude natural rubber from the National Stockpile.

This letter imposed the following restrictions and limitations on commercial sales from the stockpile.

1. Commercial sales will be negotiated on the basis of prevailing market prices and will be limited to 72,000 long tons a year.

2. Commercial sales will be conducted on a quarterly basis with approximately 18,000 long tons to be sold each quarter. No more than 9,000 long tons will be sold during any single month in any quarter.

3. The present 32-28 cents a pound sales formula will remain in effect, but will be amended to provide that the amount of deteriorated rubber which may be sold will be subject to the revised procedures relating to commercial sales. The present monthly sales limitation of 5,000 long tons will no longer be applicable. The daily closing prices for No. 1 Ribbed Smoked Sheets for delivery within the month of sale, as determined by the Rubber Trade Association of New York, Inc., will continue to be the guideline in determining average market prices.

Due to present economic conditions and current domestic demand for crude natural rubber, we now find that these restrictions and limitations are no longer necessary. Therefore, you are hereby authorized to commercially dispose of excess crude natural rubber from the stockpile in quantities and under conditions which GSA finds to be appropriate.

That part of our letter concerning the Government-use disposal program, as modified by my letter of December 21, 1965, is hereby reaffirmed. All Government programs shall be carried out to the maximum extent possible and new programs shall be developed whenever and wherever practicable.

These revised instructions are to become effective upon receipt of this letter.

Sincerely,

Franklin B. Dryden
Acting Director

Concurred in

by______________________________
Department of State (Date)

gaj

②

EXECUTIVE
LE/ND4-3
ND4-3

March 15, 1966
Tuesday, 8:45 a.m.

FOR THE PRESIDENT

FROM Joe Califano

For your meeting with L. Mendel Rivers, I attach:

(a) A rundown of the stockpile bill introduced and to be introduced in the House, and

(b) An analysis of the Symington bill.

As you can see from the Symington bill analysis, Carl Albert is probably right when he says we should proceed with individual bills in the House. Sam Hughes tells me that he and Ramsey Clark spent quite a bit of time testifying on the Symington bill in the House in the hope of giving the President more discretion, but ended up with a committee unanimously in favor of further restricting the President's power.

You might wish to discuss copper with Chairman Rivers. You will soon have before you the following copper program recommendations:

1. Authorization to dispose of up to 200,000 tons (below the stockpile objective requirement) -- with a Presidential directive to GSA to obtain options to buy 200,000 tons from the major producers.

2. An OEP subsidy program on a selective basis to encourage more production of copper.

3. A GSA program of substituting other materials for copper wherever possible.

Orig not sent to file as of 7/2/66
LW

(12)

EXECUTIVE
PQ2
FG240
CM/Copper
FG105
ND4-3

UNDER SECRETARY OF STATE
FOR ECONOMIC AFFAIRS
WASHINGTON

March 23, 1966

MEMORANDUM TO MR. JOSEPH A. CALIFANO, JR.
THE WHITE HOUSE

Mr. Parkinson, President of Anaconda, has suggested to me that GSA set up an Industry Committee to get the copper contracts and options in proper form. He suggested that Mr. Herbert Weed, Mr. Monroe of Phelps-Dodge and Mr. Jessups of Kennecott are knowledgeable and that a three man committee would be better than a larger one.

Parkinson also raised three specific points which perhaps the proposed advisory committee, if GSA forms it, could give immediate attention to:

1. The government's option to call on the companies to replenish the stockpile should have a reasonable time limit, e.g., five years or something in that neighborhood.

2. Incentives to marginal producers to increase production can best be given by a USG loan for worthy projects to particular companies on a selective basis. The loans could be paid back out of production which presumably would go into the stockpile. He said there is a twenty year record of a successful use of this technique. This would, he thought, be much better than paying different U.S. producers different prices for copper which would not only cause trouble for the Administration but would also not be as effective as the other approach in getting out additional production.

Filed by Califano's Office 1/5/68

71

DEPARTMENT OF STATE
ASSISTANT SECRETARY

E

LIMITED OFFICIAL USE   March 26, 1966

Joe:

The attached cables reflecting foreign discontent in a "near belligerent mood" with our tin disposal program are illustrative of foreign government reaction even where as in this case, tin, the disposal program is not excessive.

The Malayasian Government has called in our Ambassador and expreseed great anger about our intention to sell rubber beyond the previous disposal ceiling that we had consulted on. As you know, this extreme reaction is not based on actual damage to them but simply anticipatory.

All this is by way of information and to give you a feeling for the sensitivity of the producing governments who depend upon stockpile items for their vital foreign exchange earnings.

Tony Solomon

Attached:
London 4427
Lagos 1322
Lagos 1286
To La Paz 316

Filed by Mr Califano's Office 7/6/66

EXECUTIVE
ND 4-3-1
~~ND 4-3~~
CM/TIN
~~CM/RUBBER~~
CO 333
INTERNATIONAL TIN COUNCIL
CO 36

0117177

State

1966 MAR 18 PM 2 09

NCIL (ALLEN) HANDED FOLLOWING STATED THAT MESSAGE WAS ONAL TIN COUNCIL AT SESSION N.

MEETING CONSIDERED A FEB AND 4 MARCH, 1966 ION AND THE HEADS

POLICY, THE COUNCIL

G.S.A. THAT IT WOULD ACCEPT ABLY CONSISTENT WITH L, HAVING CONSIDERED SOME E STATEMENT MADE TO THE THE USA THAT THERE IS POLICY FOR YEAR III OR NG, NOT LEADING, THE MARKET.

C. THE TERMS WHICH THE G.S.A. WILL USE IN ANNOUNCING THE DISPOSAL PLAN FOR YEAR III ARE A MATTER OF IMPORTANCE TO THE COUNCIL. IN PARTICULAR, THE COUNCIL ATTACHES THE UTMOST WEIGHT TO THE WAY IN WHICH G.S.A. WILL QUALIFY OR DEFINE THE TONNAGE TO BE MADE AVAILABLE. THE COUNCIL WOULD THEREFORE APPRECIATE IT IF AN ADVANCE COPY OF THE PROPOSED COMMUNIQUE TO BE ISSUED BY G.S.A. ON THE PROGRAMME FOR YEAR III COULD BE TRANSMITTED CONFIDENTIALLY TO THE CHAIRMAN OF THE COUNCIL IN

LIMITED OFFICIAL USE

over

— gdj

EXECUTIVE
LE/ND 4-3
LE/PE 11-2
LE/FO 3-2/CO 121
FG 412
ND 4-3
PE 11-2
FO 3-2/CO 121
McCormack, John W.

(8)

Henry:

This is very good. Go after it on Tuesday.

LBJ/mf
4-1-66
9:30p

MEMORANDUM FOR THE PRESIDENT

FROM: Henry H. Wilson, Jr. HHW

I attach letter and enclosure received today from the Speaker concerning stockpile bills.

Thirteen bills have been reported from the Committee and are on the suspense calendar of the House for Monday.

These, almost without exception, are clearly without controvery from the industry.

They are worth about $300 million.

The remaining twelve bills amount to about $991 million, of which nearly one half is in the aluminum bill.

Five of these bills, as you will see in Philbin's letter, have been considered in hearings. The remaining seven, including the big one, have not yet been discussed in hearings.

Philbin makes clear that he is awaiting industry consent to proceed in each case.

It is clear to us that industry's consent will not be forthcoming until the issue is forced.

[redacted]

** Blind copies: PMG, JJ, JL, JC w/ both copies
Also Bob Griffin (GSA) w/ copy of Philbin letter only

Philip J.

MEMORANDUM

THE WHITE HOUSE

WASHINGTON

EXECUTIVE
LE/ND 4-3
ND 4-5
C 11/Aluminum

Wednesday, April 6, 1966
5:30 p.m.

MEMORANDUM FOR THE PRESIDENT

FROM: Henry H. Wilson, Jr. HHW

I talked with Mendel Rivers yesterday about stockpiles and I spent two hours with Philbin in his office today.

This got into a long, involved, technical discussion, with which I will not now burden you.

But the sum of it is that Philbin has agreed to get all of the remaining bills out of Committee prior to June 1st.

This is pretty good.

He also said that a number of them, and possibly all of them, will have passed the House by then.

We dwelt particularly on the aluminum bill and he has agreed to get busy on it shortly after the Easter recess.

I have talked also with Charlie Schultze and Lawson Knott and they know of no pressing reason to move these bills just immediately, provided they are done during this year.

As to aluminum particularly, under the terms of the contract, no sales could be made this year anyway.

I will continue to watch this matter and to report to you.

I think there is no question but what this conference represents progress.

RESTRICTED

**Regular distribution on blind cppies.

EXECUTIVE

ND 4-3
PQ 1
FG 600/I
FG 240

GENERAL SERVICES ADMINISTRATION
WASHINGTON

Joe

(L)

MAR 10 1966

Rec'd fr mail 4:30 p

OFFICE OF THE ADMINISTRATOR

The President
The White House

Dear Mr. President:

This will supplement our telephone discussion on March 7, 1966, relating to stockpile disposals.

1. General. An interagency ad hoc advisory committee on stockpile disposals comprised of myself, my deputy (Joe Moody), Gardner Ackley and James Duesenberry of CEA, Alexander Trowbridge of Commerce, Thomas Mann and Anthony Solomon of State, Paul Ignatius of Defense, John Douglas of Justice, and Frank Dryden of OEP, meets with Joe Califano each Tuesday to assure that the best and most current information, national and international, on consumption, production, supply and demand, and resultant price pressures on the domestic economy, are brought to bear on the planning, timely adjustment, and execution of stockpile disposals. GSA also maintains daily contact with the ad hoc advisory committee members and furnishes each member a disposal progress report each Monday morning.

Through March 4, 1966, disposals so far this fiscal year have reached $577 million.

We are strengthening our disposal staff as fast as people, both in and out of Government, with required knowledge and experience, can be located and are supplementing this capability with contract service as necessary.

We are in daily contact with representatives of industry to obtain information and data on industry requirements, market data, technological changes and other assistance they can uniquely provide in carrying forward our disposal objectives.

2. Rubber. In deference to foreign policy considerations, our first efforts last December to expand rubber sales to 16,000 tons per month were limited to sales to contractors delivering rubber products to Department of Defense. DOD projections indicating volume requirements sufficient to achieve desired results have not yet materialized,

Filed by Mr Califano's office 7/6/66

perhaps due in part to elapse of insufficient time for the full impact of the new plan to be reflected in stockpile sales. Nevertheless, and because we seriously doubt whether DOD requirements will be sufficient to raise total sales to 16,000 tons monthly, GSA announced at the ad hoc advisory committee meeting on March 2 plans to offer for commercial sale toward the end of each month an additional quantity of rubber, calculated on the basis of sales volume achieved during the first 20 days of each month, to assure total sales of 16,000 tons per month. Following our March 7 telephone discussion, I advised the ad hoc advisory committee, at our March 8 meeting, that GSA intended to offer immediately 16,000 tons of rubber for commercial sale each month, the next offering this month to be 10,000 tons (6,000 tons were sold on March 1). Following full discussion of our proposal, including the question of whether the market will absorb monthly 16,000 tons of rubber in the qualities we have available for sale (primarily No. 1 ribbed smoked sheets), and the potential economic consequences of further downward adjustment in our prices to make them more competitive with market prices for lower grades, Mr. Califano decided that no change would be made in the rubber sales program agreed upon last week until it is tested. This market test will occur shortly after March 20, and immediately thereafter we will re-evaluate effectiveness of our sales program and adjust it as necessary to assure disposal of at least 16,000 tons per month. We understand you have received from CEA advice that reduction in cost of natural rubber would have minimal (1) impact on cost of tire production, and (2) retarding influence on tire price increases.
Natural Rubber Prices. Published: 3/8/65 $0.26 pound; 3/8/66 $0.26; current GSA price: $0.25-3/8.

3. Shortages and Price Pressures. Other significant GSA stockpile disposals which have relieved supply shortages and avoided price rises are related in the enclosure.

We understand the potential of the stockpile to relieve supply shortages and head off price pressures. We are continuing our efforts to achieve these results within the somewhat narrow confines of applicable statutory restrictions requiring, in the case of DPAct materials, sales at not "less than the *** current domestic market price for such commodity," and in the case of S&CM Act materials, that disposals shall have "due regard to the protection of the United States against avoidable loss *** and the protection of producers, processors, and consumers against avoidable disruption of their usual markets."

4. Legislation. We expect early action toward enactment of legislation prerequisite to full success of our disposal efforts. Eleven of our

legislative proposals, representing $872 million in value of excess materials, have been introduced and I have been assured by Subcommittee Chairman Philbin that House hearings will begin about March 21, 1966, or as soon as the military procurement bill is out of the way. S. 2642, authorizing the disposal of excess platinum, will be reported by the Senate Armed Services Committee within the next day or two.

I have discussed the pressing need for enactment of our legislative proposals with the Chairmen Russell and Rivers of the Armed Services Committees and with the Chairmen Symington and Philbin of the subcommittees to which the bills have been referred. In addition I have discussed the bills with more than 20 members of the House Committee and have every reason to believe that the legislative proposals will move through the Congress promptly, especially those involving materials currently in short supply such as platinum, molybdenum, chromium, and vanadium, which are strongly supported by industry. Our aluminum bill also will receive strong industry support. We are working closely with representatives of the industries concerned to obtain their assistance in pressing for enactment of this legislation.

In addition to the 11 bills already introduced, 9 additional Administration bills, representing $67.9 million in value of excess materials, have been submitted to the Congress and we expect them to be introduced promptly, bringing the total value of excess materials covered by bills submitted to the Congress to $939.9 million. The legislative proposals remaining for submission to this session of the Congress involve excess materials valued at $122.8 million. Included in this group is one bill covering excess bauxite valued at $64.8 million which has been introduced by Congressman Wilson of California under industry sponsorship. Although this bill will be opposed by some major segments of the aluminum industry, we are talking with members of the industry in an effort to work out an acceptable disposal arrangement. Not all of our legislative proposals will be supported by industry. Chairman Philbin is most reluctant to consider any bills unless we can demonstrate substantial industry agreement.

Respectfully yours,

Lawson B. Knott, Jr.

Lawson B. Knott, Jr.
Administrator

Enclosure

legislative proposals, representing $872 million in value of excess materials, have been introduced and I have been assured by Subcommittee Chairman Philbin that House hearings will begin about March 21, 1966, or as soon as the military procurement bill is out of the way. S. 2642, authorizing the disposal of excess platinum, will be reported by the Senate Armed Services Committee within the next day or two.

I have discussed the pressing need for enactment of our legislative proposals with the Chairmen Russell and Rivers of the Armed Services Committees and with the Chairmen Symington and Philbin of the subcommittees to which the bills have been referred. In addition I have discussed the bills with more than 20 members of the House Committee and have every reason to believe that the legislative proposals will move through the Congress promptly, especially those involving materials currently in short supply such as platinum, molybdenum, chromium, and vanadium, which are strongly supported by industry. Our aluminum bill also will receive strong industry support. We are working closely with representatives of the industries concerned to obtain their assistance in pressing for enactment of this legislation.

In addition to the 11 bills already introduced, 9 additional Administration bills, representing $67.9 million in value of excess materials, have been submitted to the Congress and we expect them to be introduced promptly, bringing the total value of excess materials covered by bills submitted to the Congress to $939.9 million. The legislative proposals remaining for submission to this session of the Congress involve excess materials valued at $122.8 million. Included in this group is one bill covering excess bauxite valued at $64.8 million which has been introduced by Congressman Wilson of California under industry sponsorship. Although this bill will be opposed by some major segments of the aluminum industry, we are talking with members of the industry in an effort to work out an acceptable disposal arrangement. Not all of our legislative proposals will be supported by industry. Chairman Philbin is most reluctant to consider any bills unless we can demonstrate substantial industry agreement.

Respectfully yours,

Lawson B. Knott, Jr.

1966 MAR 10 PM 3 35

Lawson B. Knott, Jr.
Administrator

Enclosure

The White House
Washington

GSA Stockpile Disposals Which Have Relieved Supply Shortages and Price Pressures

Chromite. (Principal uses: steel alloy; essential to certain types of steel having important uses in petroleum and chemical industries.) The recent British embargo removed from the market Rhodesian exports, a source of supply normally looked to by U.S. consumers for 300,000 tons of metallurgical grade chromite per year. Discussions by GSA and State Department with producers and consumers of possible stockpile releases has retarded competition for limited supplies available from other sources and has headed off severe price pressures which otherwise unquestionably would have resulted from "scare" buying. Sale by GSA of 75,256 tons of chromite (44.26% to 48.06% chromium content) is now on the market with bids to be opened 3/23/66.
Chromite Prices. Published: 3/8/65 $31 to $35 ton; 3/8/66 no change; GSA sale scheduled 3/23/66.

Columbium. (Principal uses: stainless steels; jet aircraft engine turbine blades; cutting tools.) The 200,000 pounds sold in February did not head off price pressures as expected. Accordingly, an additional 400,000 pounds will be sold March 10 in a further effort to relieve increasing price pressures and we will continue to release such additional quantities as are necessary to maintain stable prices.
Columbium Prices. Published: 3/8/65 $0.80 to $0.90 pound; 3/8/66 $1.05 to $1.15; GSA sale $1.31. Additional sale scheduled 3/10/66.

Mercury. (Principal uses: chemical applications; industrial control instruments; and manufacture of chlorine and caustic soda.) When GSA began its sales program in December 1964, the price was $490 per flask, with market place talk that it would go to $1,000. We sold almost 28,000 flasks (about a six-month normal consumption) during the price escalation period which began in August 1963 peaked at $700 per flask in June 1965. Our sales contributed to relieving the shortage situation and prices have declined to the present level of $435. GSA's regular offering of 1,500 flasks per month since October 1965 is a leveling influence on prices.
Mercury Prices. Published: 3/8/65 $475 to $480 flask; 3/8/66 $435 to $445. Current GSA price $430.

Nickel. (Principal uses: steel alloy; electroplating.) Last November, when you signed Public Law 89-323 authorizing disposal of 200 million pounds of excess nickel, we estimated that stockpile sales would be limited to about 25 million pounds a year. We have accelerated sales rate to the point where we now estimate that more than 100 million

pounds will be marketed before June 30, 1966, thus relieving severe pressures which otherwise undoubtedly would have caused substantial nickel price increases.
Nickel Prices. Published: 3/8/65 $0.79 pound; 3/8/66 $0.77-3/4 (reduction due to lifting import duty of 1-1/4 cents on 9/28/65); GSA price $0.73-1/4 avg.

Tin. (Principal uses: tin plating or terne plating (tin and lead) sheet steel; solders; babbits and other bearing materials, foils, and chemical applications.) GSA is currently the largest single seller of tin in the United States, supplying approximately 30 percent of total United States consumption, representing shortfall between normal supply and demand. GSA pricing policy is specifically designed to follow immediately downward market trends but to lag behind a rising market, during which periods our sales volume rises and tends to retard market price increases. We believe our tin sales method and pricing policies have been a major factor in holding the daily fluctuating price of tin down to the $1.70 to $1.80 range. However, in view of the significant role we play in the tin market we contracted in December 1965 with Robert Nathan Associates, a nationally recognized authority in market research and analysis, to study our tin sales policies. While the study has not been completed, it is the opinion of our market research contractor that if GSA had not been in the tin market, tin prices today would exceed $2.

Tungsten. (Principal uses: steel alloy; electronics; electric lamp filaments; cutting tools; jet aircraft engine parts.) The 1.5 million pounds sold in late February checked steady price rises experienced in the past six months. Our offering of 5 million pounds on March 8, 1966, on a "shelf-sale" basis, should stabilize the price at $43 per short ton unit (including import duty of $7.93) as compared to world market of $50.
Tungsten Prices. Published: 3/8/65 $29 to $29.50 short ton unit; 3/8/66 $48.50 to $50; current GSA price $43.

Vanadium Pentoxide. (Principal uses: alloy in manufacture of high strength structural steel.) GSA has released into the market within a three-month period the equivalent of a six-month normal consumption of this material. Price pressures were heavy due to unanticipated demands by the steel industry which could not have been met from regular supply sources.
Vanadium Pentoxide Prices. Published: 3/8/65 $1.15 pound; 3/8/66 $1.30 to $1.50; GSA sale 3/66 $1.22 avg.

American Metal Market Page 13   Thurs. March 10

Stockpile Tungsten Offered at $43 Per Short Ton Unit

NEW YORK — Dealers in tungsten ore here viewed the General Services Administration action of putting tungsten in the "shelf" category as a "big surprise."

It means that GSA will now sell tungsten ore from time to time from the stockpile at a special price of $43 per short ton unit. It is intimated here that the GSA action sets a floor and ceiling on the tungsten ore price and will stabilize it at the level of $43 per short ton unit.

GSA has already placed a tonnage of 5,000,000 pounds of the tungsten ore on the "shelf" for sale.

Some merchants of tungsten ore, indicated the London price should now adjust to this new level. They said this supply should take care of the needs of the trade for some time.

The most recent price of imported tungsten ore quoted in the New York market has been in the area of $40 to $45 per short ton unit ($8 duty extra.)

Rec'd 10:00 3-9-66

43

EXECUTIVE

LE/ND 4-3-1
ND 4-3-1
CM
CM/Copper
FG 411
ND 4-3
FG 11-1

EXECUTIVE OFFICE OF THE PRESIDENT
BUREAU OF THE BUDGET
WASHINGTON, D.C. 20503

OFFICE OF
THE DIRECTOR

March 9, 1966

MEMORANDUM FOR THE PRESIDENT

Subject: Meeting with Congressional Chairmen -- Stockpile Legislation

1) 19 stockpile disposal bills have been transmitted
11 have been introduced in both House and Senate.

2) The market value of the stockpile materials involved are:

11 introduced bills......................	$900 million
8 transmitted, not yet introduced.......	35 "
bills yet to be transmitted...........	127 "

3) 1966 stockpile sales do not heavily depend on this legislation

- the $1 billion target for 1966 includes about $80 million from the materials involved in the bills.

4) But the 1967 sales target of another $1 billion does depend on getting these bills through.

- moreover, our ability to affect the supply and demand situation in a number of small, but important, metals would be greatly hampered if the bills don't go through.

5) Sales to date in fiscal 1966 are $577 million. Without the legislation pending on the Hill, and without additional

EXECUTIVE (5)

ND 4-3
CO 49
BE 5-2
CO 49
BE 4/Copper

March 3, 1966

ew/ct

Mr. Solomon asked that the following be put in front of you:

We have a report from ? Dungan in Santiago that Chile will probably be abandoning the producers price sometime between the middle and end of this month. It will become important to put out a stockpile release at that time in consultation with our copper industry to retain the 36¢ price in the US. Therefore, it would be a mistake to proceed to a release before that time, which is only two or three weeks away.

Filed by Califano's Office 1/5/68

ew/BB

Copper file

3/4 Toi

Put with the copper file

March 1, 1966

EXECUTIVE
ND4-3
FG410
PR11

MEMORANDUM FOR MR. CALIFANO

From: JWD John W. Douglas

Re: Stockpiles -- Congressmen

Lawson Knott suggests that the following Congressmen would be the ones to invite to any White House discussion of stockpile legislation: Congressmen Rivers, Philbin, Arends, Bates; Senators Russell, Symington, Saltonstall, Miller. If the stockpile investigating committee is included, which strikes me as wise, Lawson would include Congressmen Aspinall, Edmondson, Saylor (Pa.).

Filed by Califano's Office 1/5/68

March 1, 1966

EXECUTIVE
ND4-3
FG410
RE11

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1966 FEB 29 PM 12 26

RECEIVED
JOE CALIFANO, JR.

gah/ew

EXECUTIVE
ND 4-3
PQ 1
CM/Rubber
FG 240

(2)

GENERAL SERVICES ADMINISTRATION
WASHINGTON

FEB 28 1966

OFFICE OF THE ADMINISTRATOR

MEMORANDUM TO: Honorable Joseph A. Califano, Jr.
Special Assistant to the President

SUBJECT : Rubber - Accelerated Disposal Plan

During our meeting on February 15, 1966, we expressed doubt whether rubber disposal volume would reach 16,000 tons per month under the new Defense Department Government-use program and recommended expansion of commercial sales. State Department objected and was given time to consider further.

At our meeting last Tuesday, February 22, it was announced that State Department needed one more day. We have still not been advised of State's position.

However, in view of the discussions at the meeting on Saturday afternoon, February 26, we propose to proceed immediately with our expanded commercial sales program.

Under our new program we will continue as at present with a commercial offering of 6,000 tons of rubber on the first day of each month. On the 21st day of each month we will project disposals for the entire month under the Government-use program upon the basis of actual volume during the first 20 days. If this projection plus the 6,000 tons sold commercially on the first day of the month indicates that a monthly total volume of 16,000 tons will not be achieved, the projected "short fall" tonnage will be offered for commercial sale during the last week of the month.

Lawson B. Knott, Jr.

Lawson B. Knott, Jr.
Administrator

1966 FEB 28 PM 6 10

JOE CALIFANO, JR.
RECEIVED

RECEIVED
MAR 21 1967
CENTRAL FILES

EXECUTIVE
HD 4-3
PQ 1
CM/Rubber
FG 2-40

GENERAL SERVICES ADMINISTRATION
WASHINGTON

OFFICE OF THE ADMINISTRATOR

FEB 28 1966

MEMORANDUM TO: Honorable Joseph A. Califano, Jr.
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Lawson B. Knott, Jr.
Administrator

1966 FEB 28 PM 6 10

JOE CALIFANO, JR.
RECEIVED

EXECUTIVE
LE/ND 4-3-1
ND 4-3-1
~~ND 4-3~~
FG 11-6
FG 115
FG 411/A*
CM/Copper
CM/Aluminum
PR 8-2/P*

MEMORANDUM

THE WHITE HOUSE

WASHINGTON

11:00 a. m., Wednesday
February 9, 1966

FOR THE PRESIDENT

FROM Joe Califano

As the attached memorandum indicates (as you are aware) we can expect some trouble from *Philip J. Philbin on aluminum and copper and general stockpile problems. You will recall that we have assigned to OEP the responsibility for coordinating the hearing.

Sometime ago, you indicated to me that you wanted to have Philbin stop by and talk about the stockpile situation. I think one of Philbin's main problems is that you talked to *Rivers, L. Mendel about copper, but not to him. In view of Dryden's statements in the attached memorandum, I think we should have Philbin stop by some time next week. If you approve, I will set a time on your calendar with Marvin.

Approved_________ Disapproved ✓

Enclosure

see me

L

*Armed Services Committee

Original to Mrs Ferris

EXECUTIVE
TA 4
CM/Copper
FG155
FG240
ND 4-3

THE ASSISTANT SECRETARY OF COMMERCE
WASHINGTON, D.C. 20230

February 3, 1966

MEMORANDUM FOR HONORABLE JOSEPH A. CALIFANO, JR.

Subject: Copper Export Controls

Attached you will find a copy of the official press release (put out at 3:30 p.m. yesterday) regarding our revalidation of export licenses for foreign origin copper. The original news story was based upon a telephonic announcement from this Department to the press agencies, with the resulting misinterpretation. This kind of announcement will be avoided in the future.

For your information there are two elements involved in some of the licenses being revalidated which might cause further headlines from uninformed sources.

Firstly, GSA in its contracts covering the sale of stockpile copper allows the purchaser to exchange the stockpile copper for an equivalent amount of copper in forms more readily usable in the purchaser's operation. He is bound by contract to consume the copper which is received in exchange within his domestic operation. This exchange provision is necessary because the copper in the stockpile is of varying types, and it is impossible to provide each purchaser with exactly the type he requires. The over-all result is that, in terms of quantities of copper, the stockpile copper is consumed domestically. However, the actual copper released from the stockpile may then enter the general market and through brand name identification can sometimes be recognized as stockpile copper. In turn, our regulations would allow the export of such stockpile copper if an equivalent quantity of foreign source copper is imported for domestic consumption. Because of this exchange process, it may be charged that "stockpile copper is being exported." The fact is that the amount of copper units is the prime consideration, and our objective of maintaining additional copper for the domestic economy is being met.

Secondly, some exports of foreign origin copper are being sold to companies in Europe who are world copper traders, some of whom are engaged in trade with China. We can, through our Embassies, trace our exports directly into consumption of copper users in Europe. We cannot, however, assure that equivalent amounts of copper will not be released by the same European companies to China. This situation could lead to misleading charges that "our exports are being shipped to China," and if such charges should arise this is the explanation of the trade flow process.

Filed by Califano's Office 1/5/68

Attachment

A B Trowbridge
A. B. Trowbridge

BB

EXECUTIVE
ND4-3
CM/Rubber
CO333

January 29, 1966
5:45 p.m. Saturday

MEMORANDUM FOR
JOE CALIFANO

Would you please keep
me informed on this?

Jack Valenti

Ltr. to JV dated January 28, 1966 from Ambassador of Malaysia, natural rubber in the U.S. strategic stockpile byxx

Nothing else sent to
Central Files as of 3/11/66
Chas

MEMORANDUM

(35)

THE WHITE HOUSE

WASHINGTON

gah/

Stockpile

EXECUTIVE
ND 4-3
CM/Rubber
PQ1
FG115

6:00 p.m. Thursday
January 27, 1966

FOR THE PRESIDENT

FROM Joe Califano JAC

The attached memo from John Douglas gives a run down on the action we have taken with respect to rubber as the result of your note to me.

Enclosure

Lets keep after this. Why does Defense sleep while Rome burns?

Orig to Mrs Smith

January 25, 1966

MEMORANDUM FOR MR. CALIFANO

JWD From: John W. Douglas

Re: RUBBER

I met with Moody (GSA), Harlan (GSA) and Rolle (Defense) yesterday morning on rubber. Ignatius was tied up. We didn't invite State, for State is not a problem now and I didn't want any new objections from them.

1. The delay in rubber disposals has been caused by Defense's delay in promulgating the necessary orders to change contracts. The critical order was not put out until January 12, and it apparently takes time to translate the order at the lower levels into actual contract changes.

2. The following steps were agreed upon to reach the 16,000 ton monthly disposal rate as soon as possible:

(a) Today, Defense will check with all its offices to make sure that they are carrying out the January 12 order with respect to new orders.

(b) Defense and GSA will immediately review existing contracts to see if old contracts could be modified to include the new rubber requirement.

(c) GSA will call meetings with the rubber manufacturers at the earliest possible date to see about their speeding up their purchases. GSA believes that the manufacturers have been holding back on purchases from the stockpile until they've had a chance to figure out the effect of the Defense change on their total rubber requirements.

FOR OFFICIAL USE ONLY

THE ASSISTANT SECRETARY OF COMMERCE
WASHINGTON, D.C. 20230

EXECUTIVE
ND 4-3
TA 1
CM/Copper
FG 155

December 30, 1965

MEMORANDUM FOR

Honorable Joseph A. Califano, Jr.
Special Assistant to the President

Pursuant to the meeting held at the White House on December 27, the following summary report has been prepared regarding A) statutory authority concerning allocation of materials and price and wage controls, and B) administrative measures available to control copper.

A) Statutory Authority

While the Export Control Act of 1949 and the Trading with the Enemy Act both indirectly have some effect on domestic allocation of materials through their regulation of shipments overseas, the only statute directly concerned with allocation of materials is the Defense Production Act of 1950, as amended. This act authorizes the President to require that performance under contracts or orders (other than contracts of employment), which he deems necessary to promote the national defense, shall take priority over performance under any other contract or order. However, these powers cannot be used to control the general distribution of any material in the civilian market unless the President finds that such material is a scarce and critical material essential to the national defense, and that the national defense requirements could not be met without creating an appreciable hardship in the civilian market.

All of the above functions have been delegated to the Director of the Office of Emergency Planning by Executive Order 10480, who has in turn redelegated responsibilities for the allocation of particular commodities to certain officials, i.e., (1) The Secretary of the Interior with respect to petroleum, gas, solid fuels and electric power. (2) The Secretary of Agriculture with respect to food and with respect to the domestic distribution of farm equipment and commercial fertilizer. (3) The Commissioner of the Interstate Commerce Commission with respect to certain limited transportation functions. (4) The Secretary of Commerce with respect to all other materials and facilities. However, any findings made for the purposes of controlling the general distribution of any material cannot become effective until approved by the Director of the Office of Emergency Planning.

Filed by Califano's office 1/5/68

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RECEIVED
JOE CALIFANO, JR.
1965 DEC 30 PM 4 57

The Defense Production Act of 1950, as amended, also provides that due consideration shall be given to the needs of small business and new concerns in carrying out the allocation functions of that Act, and that increased participation by small business in the mobilization program shall be encouraged.

The authority to regulate price and wage controls which formerly existed under the Defense Production Act of 1950, as amended, terminated on April 30, 1953. Accordingly, to the best of our knowledge, legislation would have to be enacted to provide authority for such controls.

B) <u>Administrative Measures Available to Control Copper</u>

1) Present situation as compared to 1950-53:

Today's copper situation is somewhat similar to that seen in the early days of the Korean conflict. We still depend on foreign sources of supply. In both periods the problem of a wide price spread is involved, i.e.: the domestic or producers price, and the price on the world market.

However, during the Korean emergency we imposed completed integrated controls over the entire economy, for both defense and civilian needs. This included, in addition to priorities and allocations authority, price, wage, credit and related stabilization controls. At present our authority is limited to use of priorities and allocations in support of the national defense, as described above.

The imposition of such allocations would obviously put strong pressures on domestic prices. Additionally, pressure would be created on supplies of possible substitute materials for copper, such as aluminum or zinc (used in galvanized steel).

2) Actions taken during Korean conflict and comparable actions taken in 1965:

a) Military set asides were established at an early date by the National Production Authority during the Korean conflict.

In 1965, military set asides for copper controlled materials have been increased and a separate set aside has been established for brass ammunition strip, including authority for producers of this material to place priority orders on competitors where the latter's set aside has not been taken up.

b) Several releases of relatively small tonnages were made from the 1950-53 stockpile.

In 1965, releases were authorized for 150,000 tons of copper to the U.S. Mint, and 300,000 tons to the general economy. (100,000 tons in April and 200,000 tons in November.) About 30,000 tons remains available for additional release, and the net stockpile balance excluding the 30,000 tons now stands at 575,000 tons (based on OEP advice December 30).

c) After a period in which priorities were employed, the Controlled Materials Plan was instituted by the NPA. This extensively more detailed system provided for allocations of copper controlled materials for civilian as well as military programs. Copper raw materials which include refined copper and scrap were not designated as controlled materials, but refined copper and copper scrap were allocated by NPA.

No equivalent plan has been instituted in 1965, however, allocations are presently made for defense purposes only.

d) Conservation measures were instituted involving the prohibition of use of copper for less essential purposes and including restrictions on quantities of copper permitted for selected uses (such as hardware, plumbing, decorations, toys, games, etc.).

No equivalent measures are currently in effect.

e) Restrictions were imposed by NPA on inventory accumulations.

No such restrictions currently exist.

f) Export controls were imposed during the Korean conflict.

At present, all copper exports require a validated license, but quotas have been applied only to copper based scrap.

g) During Korea, incentives to increase production were employed including tax amortization and loans for facility enlargement.

These actions are not now available to us due to the expiration of Section 168 of the Internal Revenue Code in 1959 and the unavailability of funds for such loans, for extensive operations. We understand from OEP that approximately $50 million is available for the expansion of production capacity and supply.

h) International action was taken for coordination of the distribution of basic raw materials, including copper, through the medium of the International Metals Conference.

To date, no similar action has been taken. It might be a vehicle for effective action if Zambian-Katangan supplies are interrupted.

3) Additional actions which could be taken under present authorities to meet increased defense demands for copper:

a) Additional release of the 30,000 tons of stockpile copper if required.

b) Based upon Presidential finding, a system of civilian use allocations could be instituted. This would restrict civilian use in the generally non-essential areas. This would generate, as mentioned above, pressures on prices and for substitute materials.

c) Military set asides can be further increased.

d) We could investigate financial measures to encourage operation of marginal domestic mines.

We are developing a second memo dealing with the broad supply/demand factors in copper, and the relationship of export controls, which we hope to forward early next week.

AB Trowbridge

A. B. Trowbridge
Domestic and International Business

Recd Ranch 12-29-65 10:30a

galy

MEMORANDUM

EXECUTIVE

PQ 1
ND 4-3
~~FE~~ 240
CM

THE WHITE HOUSE

WASHINGTON

L

9:30 a.m., Tuesday
December 21, 1965

FOR THE PRESIDENT

FROM Joe Califano

Attached is our first weekly report on the stockpile. We will raise the objective to one billion dollars in line with our commitment.

Attach.

FILE MEMORANDUM
December 21, 1965
rpb/jl

EXECUTIVE
PQ 1
ND 4-3
FG 240
CM

Reports by General Services Administration re Disposal of Stockpile Materials

BD/1a

EXECUTIVE

(3)

ND 4-3
CM/Food
AG
FG 150

DEPARTMENT OF AGRICULTURE
OFFICE OF THE SECRETARY
WASHINGTON

December 20, 1965

MEMORANDUM

To: Hon. Jack Valenti
Assistant to the President

From: Orville L. Freeman
Secretary of Agriculture

Orville L. Freeman

Enclosed is the staff analysis on a proposed program for food reserves.

We have not yet discussed this with the Bureau of the Budget or the Council of Economic Advisers or anyone else in the White House. It came up a year ago and was shot down at the last moment. I believe it has real merit in this over-all picture.

Let me know how it is received and what, if anything, I should be doing.

Thanks much.

Enclosure

DEPARTMENT OF AGRICULTURE
OFFICE OF THE SECRETARY
WASHINGTON

December 16, 1965

To: John A. Schnittker, Under Secretary

From: Robert S. Reed

Subject: Food Reserves - Task Force Report

Attached is a brief outline for a "Stabilization Reserve" of agricultural commodities. If you concur in this approach, we will ask George Cooper to translate these ideas into a draft bill for consideration as a part of the Department's legislative proposals for the next session of Congress.

This proposal provides authority for establishment of a reserve of agricultural commodities sufficient to meet deficits due to a natural disaster or drouth or unexpected demand.

1. The Secretary would establish minimum reserve levels as of the beginning of the commodity marketing year.

2. Most of the reserve would result from designation of CCC stocks as part of the reserve but authority would be included to procure other commodities.

3. Reserve would be owned and managed by CCC and may be commingled with other stocks of the Corporation.

4. Disposal would be tightly controlled but the reserve would be available to meet real needs.

5. A procedure for rotating reserve stocks is included.

6. Costs would be minimal if limited to items procured as a part of price support and surplus removal operations.

We suggest that the legislation set specific reserve levels for wheat, feed grains and cotton with the Secretary having discretionary authority to set other reserve levels.

Should you desire any changes made in this outline before we proceed further, please advise us.

Robert S. Reed

Attachment

PRINCIPLES TO BE CONSIDERED IN DEVELOPMENT
OF FOOD STABILIZATION RESERVE LEGISLATION

1. Food reserves should be sufficient to meet either unpredictable increases in demand or decreases in production such as result from drouth or other natural disasters. Reserves established for these purposes would be more than adequate to meet reserve requirements for a defense emergency. In setting minimum reserve levels, it is anticipated that the largest need would be for protection against serious crop failure. Reserves for this purpose would insure adequate working stocks and sufficient amounts for defense needs. These three purposes are not considered to be additive, rather the level would be set at the highest one of the three for any item. Quantities of CCC price support stocks would be designated as within the "Stabilization Reserve".

2. Purpose of food reserves is to assure an adequate supply of commodities for national security, disaster relief, and stability of the domestic economy. Scarcity might result either from domestic or foreign crop shortages or other causes. One aim will be to draft legislation so as to prevent such reserves from having a depressing effect on the market prices. The major requirement in the legislation would be to remove the requirement that Commodity Credit Corporation sell its stocks whenever someone offers the legal price.

3. The size of the reserves held by CCC would be determined in relation to demand and yield variations. The Secretary shall determine the quantities of CCC stocks and other commodities to be a part of this reserve. The reserve would be owned and managed by CCC and specifically include the items listed below. (Figures on quantities are examples and could be changed from time to time.)

Commodity	Units of Measure (million)	Desirable Minimum Stocks Level	Assumed Normal Commercial Stocks Level	Assumed Food Stabilization Reserve Level
Wheat..........	bu.	600-650	200-250	400
Rice...........	cwt.	8-10	3-5	5
Feed Grains....	tons	40-50	30-40	20
Sugar..........	tons			2
Soybeans, butter, or edible oil	lbs. oil equiv.	1,000	500	500
Non-Fat Dry Milk	lbs.	500-550	300-350	200
Cheese..........	lbs.	350-400	250-300	100
Cotton..........	bales	5	3	2

The Secretary should also be authorized to specify commodities in addition to those listed above and to designate a reasonable quantity as the reserve level. Currently, only wheat, feed grains and cotton are available in sufficient quantity in CCC stocks to provide the reserve levels considered adequate, as listed above.

4. Procurement of commodities for a "Stabilization Reserve" would be through (1) designation of quantity of CCC stocks acquired through price support operations as a part of the reserve, (2) processing of CCC stocks into reserve form (e.g. cottonseed into edible oil products), (3) barter of CCC surplus items for reserve items (e.g. cotton for sugar), or (4) purchase with funds available to CCC, from Section 32, or specifically provided by Congress for this purpose. In addition, CCC would be authorized to purchase an equivalent amount to replace any commodity sold from the reserve, whether for purposes of rotation or for authorized uses. CCC could purchase to replace sales under Sec. 5b below anytime prices were less than those at which sales were made. It is proposed that F.Y. 1967 procurement under point (4) above would not exceed $5 million unless increased procurement is requested by the President.

5. Disposal from the stabilization reserve would be as follows:

(a) Sale or donation for domestic use in case of disasters for which its use is authorized by the President.

(b) Sale for authorized uses at:

(1) for amounts in the reserve in excess of one-half of the stated reserve level at not less than the higher of (a) current market price, or (b) for price support commodities, 120% of the current price support loan or purchase level plus carrying charges, or (c) for non-price supported commodities, 120% of the average market price for the three preceding calendar years (with appropriate seasonal adjustments).

(2) for amounts remaining in the reserve after disposals authorized above at not less than the higher of (a) current market price, or (b) for price supported commodities, 130% of the current price support loan or purchase level plus carrying charges, or (c) for non-price supported commodities, 130% of the average market price for the three preceding calendar years (with appropriate seasonal adjustments).

(c) Sale for rotation at domestic market price.

6. Sales out of the stabilization reserve under the above prescribed conditions would be authorized for (1) meeting authorized needs for domestic food and fiber, and (2) meeting specified "food for peace" requirements that cannot be supplied out of commercial supplies. The Secretary would designate authorized uses.

7. Except for appropriated funds, the net costs of maintaining, rotating and replacing the reserve would be budgeted for as a regular part of CCC operations, but as a separate budgetary program. Authority would be requested to barter up to $100 million worth of CCC usrplus items annually for items for the reserve as selected by the Secretary. For commodities already owned by CCC, their designation as a part of a stabilization reserve would not add to total CCC costs. Costs would be increased to the extent that (a) commodities

are designated and held in the reserve which would otherwise be sold, or (b) commodities are purchased for a reserve. On the other hand, any sales made under Sec. 5b above would tend to compensate for purchase and storage costs. Separate accounting would be made of the net costs related to stabilization reserve operations and such costs would be shown separately in statements of CCC realized losses.

8. The law should authorize the Secretary to require that government financed programs purchase out of the reserve stocks as a means of rotation of such reserves are needed.

This is okay but we need to do something on rubber since it is deteriorating. We need to talk to Tom Mann and don't know why we let Indonesia, Malaysia, and the others control our disposal.
LBJ/JJ/mf
12-4-65
11:30p

gah/nc

Mr. President:

Did you want to talk to Tom Mann about disposal of the rubber stockpile.

Jake/mf
12-5-65
1:15p

no

Rec'd Ranch 12-4-65 11:00P

MEMORANDUM

THE WHITE HOUSE

WASHINGTON

EXECUTIVE
ND 4-3
CM/Rubber
FG 105

(2)

December 4, 1965

FOR THE PRESIDENT

FROM Joe Califano

Attached are (1) a table of proposed disposals prepared by all interested agencies under John Douglas' direction; and (2) a summary of State's position as orally given to John Douglas this morning. Written confirmation will be sent by State to me on Monday.

We plan to proceed along the following lines unless you have some objection:

(1) Proceed with basic sales program as outlined in attached table. In a few instances routine clearances will be needed from Commerce and Interior. Moody of GSA can obtain them.

(2) Accept State's objections contained in attached sheet for the present. State has given considerably; the remaining reservations make sense. Acceptance of State's position involves only about $50 million -- out of about 1 billion -- and GSA should find other commodities to make up the difference.

(3) In those instances where Presidential or legislative action needed, plan now to proceed by legislation rather than Section 5 Presidential action. Possible exception is molybdenum where Defense and CEA may still come up with facts to support a "common defense" finding as with copper. There is no similar pressure for other commodities. GSA believes that obtaining the necessary legislation will be easy.

APPROVE ✓ DISAPPROVE ________

EXECUTIVE
HD 4-3
CM/[illegible]
FG 105

MEMORANDUM

THE WHITE HOUSE

WASHINGTON

December 4, 1965

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APPROVE ✓ DISAPPROVE ______

December 4, 1965

Memorandum for Mr. Califano

From: John W. Douglas

Re: State Department and Disposals

This is a summary of my conference at State with Solomon this morning. He will send you on Monday afternoon a formal confirmation of State's position. My suggestions to you follow in parentheses.

Bauxite - State reluctant but willing if GSA is convinced they can sell this amount. State doubts that GSA can do so. (JD: GSA should give written assurance to State.)

Chromite - State withdraws objections and believes disposal figure could be increased. (JD: Go ahead, consider increase.)

Cobalt - State reluctant but could live with disposal if necessary. (JD: Go ahead.)

Columbium - State believes level of disposal is too high because of effect on Nigeria. Would not object to disposal of 200,000 between now and March 1 with future disposals left open. (JD: Disposal of 200,000 now.)

Copper - State fears possible loss of Zambia supply. For economic reasons, therefore, believes second 200,000 pounds disposal scheduled for May-June should not be committed. (JD: worry later about the 2nd 200,000)

Diamond Bort - State fears effect on Congo and bad light in which administration would be placed. Latter refers to complicated barter deal, which is about to be consummated, and which involves acquisition of Diamond Borts by U.S. (JD: Accept State's reservations.)

Diamond Stones - State withdraws objection (JD: Go ahead.)

Mica - State fears effect on India. Favors 750,000 pounds disposal for next six months with same amount for last six months of 1966. (JD: Go ahead at 750,000; re-evaluate with State later.)

<u>Rubber</u> - Because of Indonesia and Malaysia State violently objects to any increase in 6,000 ton monthly disposal from stockpile for commercial uses. Would not object to increase in 4,000 pound disposal to Government based on increased defense needs. (JD: Unless Defense will assert higher needs -- which it remains unwilling to do -- we are stuck with present disposal rate.)

<u>Tungsten</u> - State will go along only with 2 million pounds for first half. (JD: Go ahead with 2 million)

<u>Aluminum Oxide, Bismuth, Abaca, Silicon Carbide</u> - State has no objection. (JD: Go ahead.)

My rough estimate is that accepting State's present objections will cost less than 50 million -- out of about 1 billion.

Note: State naturally wants time on all the above commodities to inform the foreign countries involved.

Estimate - December 2, 1965

Stockpile Disposals to June 30, 1966

20 Most Important Items

Commodity	Quantity	Value	Section 5 or Legislation Required	State Dept. Has Problem	Now to February 28	March 1 - April 30	May 1 - June 30
Aluminum	100,000 ST	$ 48,000,000			$ 24,000,000	$ 12,000,000	$ 12,000,000
Bauxite	400,000 LDT	4,800,000		x	2,400,000		2,400,000
Chromite (Metal.)	100,000 SDT	2,000,000	x	x		1,000,000	1,000,000
Cobalt	1,000,000 LB	1,650,000		x	660,000	495,000	495,000
Columbium	600,000 LB	900,000		x	300,000	300,000	300,000
Copper	400,000 ST	288,000,000	x		144,000,000		144,000,000
Diamonds (Ind. Bort)	2,000,000 KT	4,500,000	x	x		2,250,000	2,250,000
Diamonds (Ind. Stones)	500,000 KT	4,500,000	x	x		2,250,000	2,250,000
Lead	25,000 ST	8,000,000			2,700,000	2,700,000	2,600,000
Manganese (Metal.)	100,000 SDT	3,300,000			1,100,000	1,100,000	1,100,000
Mica	3,000,000 LB	3,000,000	x	x		1,500,000	1,500,000
Molybdenum	10,000,000 LB	15,500,000	x			15,500,000	
Nickel	30,000,000 LB	22,000,000			12,000,000	5,000,000	5,000,000
Platinum	316,000 OZ	39,500,000	x			39,500,000	
Rubber	106,000 LT	58,300,000		x	18,000,000	20,000,000	20,300,000

Stockpile Disposals to June 30, 1966

20 Most Important Items

Commodity	Quantity	Value	Section 5 or Legislation Required	State Dept. Has Problem	Now to Frebruary 28	March 1 - April 30	May 1 - June 30
Tin	15,000 LT	$ 57,000,000			$ 19,000,000	$ 19,000,000	$ 19,000,000
Titanium	2,000 ST	5,000,000				2,500,000	2,500,000
Tungsten	6,000,000 LB	10,800,000		x	3,600,000	3,600,000	3,600,000
Vanadium	4,000 ST	10,000,000			5,000,000	2,500,000	2,500,000
Zinc	200,000 ST	60,000,000			20,000,000	20,000,000	20,000,000
		$646,750,000			$252,760,000	$151,195,000	$242,795,000

Other Important Items Involving Problems

Commodity	Quantity	Value	Section 5 or Legislation Required	State Dept. Has Problem	Now to Frebruary 28	March 1 - April 30	May 1 - June 30
Aluminum Oxide	10,000 ST	$ 1,250,000	x	x		$ 750,000	$ 500,000
Bismuth	400,000 LB	1,600,000	x			1,600,000	
Cordage Fiber (Abaca)	15,000,000 LB	3,000,000		x	1,000,000	1,000,000	1,000,000
Fluorspar (Acid Grade)	36,848 SDT	1,418,000	x		418,000	500,000	500,000
Silicon Carbide	10,000 ST	2,200,000	x	x		1,100,000	1,100,000
		$ 9,468,000			$ 1,418,000	$ 4,950,000	$ 3,100,000

Summary	Value
20 Most Important Items	$646,750,000
Other Important Items Involving Problems	$ 9,468,000
Miscellaneous	$ 31,000,000
Sales FY 1966 to Date	$250,000,000
TOTAL	$937,218,000

gal/gr

Sunday, December 5, 1965
7:30 pm.

EXECUTIVE
ND 4-3
FG 11-1

MEMORANDUM FOR JOSEPH A. CALIFANO, JR.

FROM: Bob Hardesty
Will Sparks

Attached are the materials on stockpiling requested by the President.
There are three items:

1. A summary of President Johnson's record on the stockpiling program prepared by us.

2. A seven-page summary of the original BOB report which we have prepared.

3. An enlarged BOB report received from Bill Carey late Sunday evening.

Bob Hardesty
Will Sparks
December 5, 1965

PRESIDENT JOHNSON'S RECORD ON THE STOCKPILE PROGRAM

President Johnson's concern that this nation have adequate supplies of strategic material during times of emergency began with his earliest days in the Congress.

Throughout his career he has consistently made two demands: first that we acquire everything necessary for our strategic stockpiles; but, second, that we acquire and maintain these stockpiles at the lowest sound cost.

He has consistently supported every constructive piece of stockpile legislation that has come before the Congress since 1939. (See voting record, previously furnished.)

This concern was most evident in his service as Chairman of the Senate Preparedness Subcommittee, especially during the Korean War. During President Johnson's years as Chairman, the Subcommittee:

-- Blocked the sale of Government-owned synthetic rubber plants to private industry during the Korean War;

-- Forced the adoption of a synthetic rubber program which produced a stockpile of this vital material;

-- Prodded the Munitions Board to greatly improve its program of wool stockpiling.

-- Laid the groundwork to weaken the Canadian nickel monopoly and assure the United States greater supplies of nickel.

-- Disclosed that the United States was being gouged unmercifully by tin producers of Southeast Asia and recommended that the

Government withdraw from further purchases. This recommendation resulted in a drop in tin prices from $1.90 to $1.03 a pound and saved the American Treasury more than a half a billion dollars.

-- Awoke the nation to the critical shortages of tungsten in our stockpiles.

Reports submitted by the Senate Preparedness Subcommittee invariably reflect his two-fold concern that the necessary stockpiles be maintained for our security -- but that the program be conducted at the lowest possible cost.

On September 5, 1950, the Subcommittee urged a speed-up in stockpiling:

"During this period of mobilization when the accent is on increasing our military and industrial strength, stockpiling objectives should be met at the most rapid rate of acquisition possible. We cannot subscribe to the apparent belief of some, both in Government and in industry, that the course that lies ahead for the Nation will be either cheap or easy..."

On September 4, 1951, the Subcommittee again emphasized the importance of stockpiling:

"During the 12 months ended June 30, 1951, an amount of rubber equal to less than 20 percent of the stockpile goal was acquired. Although this rate is very low, and from many points of view entirely inadequate, it represents the highest rate of acquisition by purchase in any fiscal year to date. But for the insistence of this committee, much less natural rubber undoubtedly would be in the strategic stockpile today."

But the Johnson Subcommittee placed equal emphasis on efficient management and a proper regard for the taxpayers interest. For example:

On July 24, 1951, the then Senator Johnson reported:

"Tin as we all know is one of the most vital materials to our national defense. ...

"Despite its strategic importance, the United States has practically no tin resources of its own. ...

"When this committee entered the picture early this year, the tin situation could best be described as one vast international gouge of the American taxpayer. The tin producers of the world greeted the Korean war as a signal for skyrocketing prices. Tin soared to two and a half times its pre-Korean price, and international speculators sought ways and means of pushing it even higher.

"The activities of this committee had an immediate effect. As soon as it became known that we were going to issue a report on the situation, the price dropped from $2 a pound to approximately $1.75 a pound. When our report was printed and finally issued early in March, it dropped even further.

"Some of the committee's recommendations were put into effect immediately. One of the most important was that the United States should suspend its stockpiling of tin. Since that time, with the exception of a brief period at the end of March, the price has steadily declined, and today I am happy to report that tin is selling at Singapore for about $1.02 a pound. We feel that this is among the most solid of the committee's accomplishments."

Again, on July 16, 1952, the Johnson Subcommitee stated in its report:

"A fair but firm policy in securing the materials critical to our defense effort is not just desirable but essential. What is more, such a policy has now been proven workable.

"The importance of this lesson cannot be overestimated. For too many years, the United States has been considered in some quarters an 'easy mark' -- fair game for any

> economic buccaneer who could seize control over one or more of the world's vital resources. That picture was considered an accurate representation not only by the great international combines but by some of our own leading citizens who should have known better."

But in advocating stockpiles, the then Senator Johnson clearly recognized that a stockpile is neither a sacred cow, nor a permanent prop for privilege. On May 11, 1951, he said:

> "In the United States, we recognize that the tremendous burdens of a stockpile are a disagreeable but necessary result of the threatening Communist aggression. Our taxpayers shoulder this burden not because they like to, but because the safety of the country requires it.... No one can guarantee to any industry that if it expands for the common defense, it may not have to contract should peace be secured again. So far as we know, only the tin industry demands such assurances as a price for sharing the burden of preparedness."

As it turned out, it was not peace, but a new evaluation of our emergency requirements which had the greatest effect on our stockpile picture.

In 1958, our strategic and military planners recognized that the requirements of our country in the nuclear era are different from those of World War II and Korea. They reduced their estimate of our strategic need for supplies in case of war from a five year supply to a three year supply. These revisions meant that some materials previously deemed essential were now surplus.

Again in 1962, the Office of Emergency Planning began a complete review of stockpile objectives with the result that our needs were again revised downward.

Nevertheless, the surpluses remained in the warehouses. President Johnson was acutely aware of the difference between decisions to dispose and actual disposal. As he had previously said while Chairman of the Senate Preparedness Subcommittee, "Progress in paperwork -- of which there has been considerable -- is no substitute for progress in performance.-- of which there has not been enough."

As President, he was determined to turn paperwork into performance.

The reasons for this determination are clear. Surplus materials cost the taxpayers $5 million for storage alone. They represent an unneeded investment of more than $4 million. Many of them are in short national supply.

The effects of this determination are equally clear. As of June 30, 1965, some 51 long-range disposal programs had been considered by the Office of Emergency Planning. The rate of actual disposal is rising, and in fiscal 1965, commitments were made for the disposal of four times as much surplus materials as in the preceding four years put together.

SUMMARY OF THE STOCKPILING PROGRAM

Contents

Original BOB report edited
by Sparks and Hardesty, 5 Dec., 1965

ORIGINS OF THE STOCKPILING PROGRAM

Three stockpiles exist concurrently: the National Stockpile, the Defense Production Act inventory, and the Supplemental Stockpile -- established at different times, for different purposes, and governed by different laws.

Congress enacted the Strategic Materials Act establishing the first National Stockpile in 1939.

At the end of the war, the 79th Congress sought to insure that, in a future emergency, the U. S. would not be dependent on foreign sources of critical materials. It enacted the Strategic and Critical Materials Stockpiling Act of 1946, which remains the basic statutory authority for the present-day stockpile.

In 1950, with the onset of the Korean emergency, the Congress enacted the Defense Production Act. This authorized Government assistance to expand domestic metals and minerals production through loans, market guarantees, and long-term purchase contracts.

Again in 1954 the Congress legislated on stockpiling through the Agricultural Trade Development and Assistance Act. The Government was authorized to barter surplus agricultural commodities for nonperishable strategic materials, and provision was made for a "supplemental" stockpile. In 1956 provision was made to transfer barter materials to the supplemental stockpile.

HOW STOCKPILE OBJECTIVES ARE ESTABLISHED

Under a Presidential delegation of authority, the Director of the Office of Emergency Planning determines the kinds and quantities of strategic materials to be acquired and stockpiled. At present, strategic stockpile objectives are scaled to meet estimated shortages for a three-year emergency. The first major change in our objectives was made in 1958, when the planning period was reduced from five years to the present three years. Then, in early 1962, President Kennedy appointed an Executive Stockpile Committee of Cabinet-rank officials to make a full-scale review of the stockpile program. As a result, the Office of Emergency Planning was directed to make a complete review of all stockpile objectives for both conventional and nuclear war. OEP found that the then-existing objectives were largely obsolete, being keyed mainly to conventional war assumptions and overstated military requirements. New objectives have been determined for conventional war requirements for most critical materials, and progress is being made in the much more difficult task of establishing nuclear war stockpile objectives.

SIZE OF STOCKPILE SURPLUSES: HOW THEY GREW

The revisions in our objectives meant that some materials previously deemed essential were now surplus. However, this is not the only reason why surpluses developed. Among the other reasons were:

- -- Legislation requiring accumulations without regard to stockpile objectives
- -- Reduced military requirements due to changing strategic concepts
- -- New ways for avoiding reliance on scarce materials
- -- New sources of supply
- -- The Government's concern to avoid harming the international interests of the U.S. or the domestic economy by disposing of excesses.

As a result, on June 30, 1965, the strategic materials in Government inventories amounted to $8.2 billion (acquisition cost and estimated market value).

Of the total acquisition cost, $5.4 billion was in the National Stockpile, $1.4 billion in the Supplemental Stockpile, and about $1.4 billion in the Defense Production Act inventory.

Of the total in inventories, $4.8 billion at cost ($4.3 billion at estimated market value) are excess to stockpile objectives.

Out of 77 stockpile commodities, 63 contain quantities excess to our needs.

In addition to the substantial outlays of funds to accumulate these inventories, the Government incurs expenses for their storage, handling, and maintenance. The annual cost of storage alone of the excess stockpile inventories is $5.2 million.

CURRENT STOCKPILING POLICIES

Acquisitions to the Government stockpiles at the present time are negligible. Only one commodity is being obtained by cash purchase: jewel bearings. No procurement is under way for the Defense Production Act inventory. However, barter is permitted for materials which are still below approved stockpile objectives. In addition, the President permits barter above stockpile objectives in those special circumstances where it is to the advantage of the United States for balance-of-payments reasons or to further the economic or foreign policy interests of the Nation.

DISPOSAL OF EXCESS INVENTORIES

In 1963, the Executive Stockpile Committee recommended that disposal programs be developed for all surplus materials in the three stockpiles. An Interdepartmental Disposal Committee was appointed to develop guidelines for the preparation of long-range disposal programs. Specific disposal plans are prepared by the Administrator of General Services, consulting with other agencies. Consultations on disposal plans are held with industry, foreign governments, and others. Final approval of a disposal plan rests with the Director of the Office of Emergency Planning.

As of June 30, 1965, some 51 long-range disposal programs had been considered. And in FY 1965, more surpluses were actually disposed of than in the previous four years put together. This is shown by the following table.

Disposal Activity

	Sales Commitments
1961	$ 69.3 million
1962	87.5 "
1963	110.5 "
1964	167.1 "
1965	432.5 "
1966 (to date)	178.7 "
	$1,193.6 "

This progress has been achieved despite the fact that statutory, economic, and political factors limit the Government's flexibility in reducing excess stockpile inventories. The Strategic and Critical Materials Stockpiling Act requires, for example, that as a general rule excess materials in the national and supplemental stockpiles may be sold only after a six-month waiting period following publication of a disposal plan and notification of the Congress and, in most cases, only with the express approval of the Congress.

Disposal plans must also take into account the potential effects on the metals-and-minerals-producing industries, and upon the economic stability of nations with which the United States has friendly interests.

THE ALUMINUM BUILDUP

How the Aluminum Surplus Came About

Two principal factors account for the aluminum stockpile oversupply:

(1) - commitments in the early 1950's under the Defense Production Act authority to purchase aluminum production above regular market demand, as a device to stimulate expansion of production.

(2) - frequent upward adjustment of stockpile objectives in the 1950's as compared with lower present-day objectives.

1. Defense Production Act commitments

In 1950, severe shortages of aluminum existed, requiring the institution of controls and the release of stockpile inventories. Aluminum ingot capacity in 1950 was 750 thousand short tons. Under the authority of the Defense Production Act, the Government planned to expand this capacity to 1.3 million tons by 1953 and to 1.6 million tons by 1954.

The principal Government inducement was a commitment to purchase at market prices over a five-year period such output as could not be sold privately. Largely under the commitment contracts, financed partially from stockpile funds and partially with DPAct borrowing authority, the Government acquired the following amounts of aluminum:

	Thousand short tons
Alcoa	646
Reynolds	523
Kaiser	516
Harvey	183
Other	194
	2,062

The aluminum capacity expansion was accomplished in three rounds, the last of which was slowed down beginning late in 1953 as it became apparent that revised military requirements should be considered.

Harvey, which had obtained a letter of intent dated May 15, 1953, had not begun construction at the end of 1954. Despite Government attempts to discourage the Harvey expansion, formal contracts were entered into in September 1955, which resulted in deliveries of unwanted aluminum to the Government as late as 1963.

2. Variations in stockpile objectives

There have been marked gyrations in stockpile objectives for aluminum. When the objective for aluminum was first set in 1949, the goal was 250 thousand short tons. But for six years (1952-58) the objective was set at 2 million short tons or above. It was during this period of high objectives in the 1950's that the Government committed itself to buy aluminum it might not need.

In 1958 the aluminum objective was sharply reduced, reflecting the Government's assumption of a three-year emergency period rather than the five-year period previously used to calculate needs. As soon as the revised objective was set, simple arithmetic put the inventory 1.3 million tons higher than the new objective of 290 thousand tons.

By September 30, 1965, the objective had been changed twice again (finally in 1963 to 450 thousand tons) and the inventory on hand showed an excess of 1.4 million short tons. The market value of the inventory within the objective was $220.5 million, and the excess inventory was worth $706.2 million

BoB REPORT
December 6,1965

THE CRITICAL MATERIALS STOCKPILE

CONTENTS

THE CRITICAL MATERIALS STOCKPILE

The stockpile had its irigin in 1939 as the United States began its preparedness program. Congress enacted the Strategic Materials Act establishing the national stockpile. During World War II, administration of the program was centered in the War Production Board.

At the end of the war, the Congress sought to insure that the United States would not be caught, in a future emergency, in a situation of dependence on foreign sources of critical materials. The 79th Congress enacted the Strategic and Critical Materials Stock Piling Act of 1946. This is the basic statutory authority for the present-day stockpile.

In 1950, with the onset of the Korean emergency, the Congress enacted the Defense Production Act. Among other things, this Act authorized Government financial assistance for the expansion of domestic metals and minerals producing industries through loans, market guarantees, and long term purchase contracts. In addition, rapid tax amortization authorized in 1950 was to be an important form of Government assistance to industry in expanding the output of critical and strategic materials.

Again in 1954 the Congress legislated on stockpiling through the Agricultural Trade Development and Assistance Act, and provision was made for a "supplemental" stockpile. In 1956 the Government was authorized to barter surplus agricultural commodities for non-perishable strategic materials and provision was made to transfer barter materials to the supplemental stockpile.

In summary, 3 stockpiles exist concurrently: the national stockpile, the Defense Production Act inventory, and the Supplemental stockpile -- established at different times, for different purposes, and governed by different laws.

Establishing Stockpile Objectives

The buildup of accumulations of various strategic and critical materials in the stockpile is based on objectives. Under a Presidential delegation of authority, the Director of the Office of Emergency Planning determines the kinds and quantities of materials to be acquired and stockpiled.

Generally speaking, the strategic stockpile takes into account the needs of limited and general war. At the present time, strategic stockpile objectives are scaled to meet estimated shortages for a three-year emergency. "Objectives" are set by estimating emergency requirements and discounting supplies to reflect strategic assumptions as to availability of foreign and domestic sources.

President Kennedy, early in 1962, appointed an Executive Stockpile Committee of Cabinet rank officials to make a full scale review of the stockpile program. As a result, the Office of Emergency Planning was directed to make a complete review of all stockpile objectives for both conventional and nuclear war. OEP found that the then-existing objectives were largely obsolete, being keyed mainly to conventional war assumptions and related military requirements. New objectives have been determined for conventional war requirements for most critical materials, and the question of nuclear war stockpile objectives is under study.

With the revision of objectives, it became apparent that substantial surpluses were being carried in the stockpile and that a disposal program was needed.

Magnitude of Excess Inventories

On June 30,1965, the materials in Government stockpiles amounted to $8.2 billion (acquisition cost and estimated market value).

Of the total acquisition cost, $5.4 billion was in the national stockpile, $1.4 billion in the supplemental stockpile, and about $1.4 billion in the Defense Production Act inventory.

Of the total in inventories, $4.8 billion at cost ($4.3 billion at estimated market value) was excess to objectives.

Out of 77 stockpile commodities, 63 contained quantities excess to needs.

A number of reasons explain how the excess came about:

(1) The reduction in 1958 from 5 to 3 years in the strategic stockpile planning period;

(2) Legislation requiring accumulations without regard to stockpile objectives;

(3) Reduced military requirements due to changed strategic concepts;

(4) Changes in use patterns to bypass scarce materials;

(5) Expansion of supply;

(6) Market conditions tending to maintain or increase deliveries under expansion contracts.

In addition to the substantial outlays of funds to accumulate these inventories, the Government incurs expenses for their storage, handling, and maintenance. The annual cost of storage alone of the excess stockpile inventories is $5.2 million.

Eighty-one percent of the market value of the stockpile excess was in 13 commodities on June 30, 1965:

Commodity	Unit	Excess	Market Value ($ millions)
Aluminum	short ton	1,443,245	707.2
Chromite (metallurgical)	" "	2,286,317	315.1
Cobalt	Pounds	53,990,082	89.1
Copper	short ton	227,297	163.6
Industrial Diamonds (stones)	carats	8,198,775	104.9
Lead	short ton	1,308,827	418.8
Manganese (metallurgical)	" "	3,320,108	105.8
Nickel	" "	161,060	241.0
Quartz crystals	pounds	4,373,273	78.7
Rubber, natural	long ton	662,226	380.8
Tin	long ton	91,718	366.8
Tungsten	pounds	116,121,984	296.1
Zinc	short ton	1,416,411	410.8
			3,678.7

Current Procurement Policy

Acquisitions to the Government stockpiles at the present time are negligible. Only one commodity is being obtained by cash purchase: jewel bearings. No procurement is under way for the Defense Production Act inventory. However, barter is permitted for materials which are still short of approved stockpile objectives. In addition, the President permits barter above objectives in special circumstances where it is to the advantage of the United States for balance of payments reasons or to further the economic or foreign policy interests of the Nation.

Disposal of Excess Inventories

In January 1963 President Kennedy approved a recommendation by the Executive Stockpile Committee that disposal programs be developed for all surplus materials in the three stockpiles. An interdepartmental Disposal Committee was appointed to develop guidelines for preparation of long-range disposal programs. Specific disposal plans are prepared by the Administrator of General Services, consulting with other Government agencies. Consultations on disposal plans are held with industry, foreign governments, and others. Final approval of a disposal plan rests with the Director of the Office for Emergency Planning.

On June 30,1965, some 51 long range disposal programs had been considered.

Despite the difficulties in undertaking disposals, there has been progress as the following table indicates:

Disposal Activity

	Disposals
1960	$ 148.0 million
1961	69.3 "
1962	87.5 "
1963	110.5 "
1964	167.1 "
1965	432.5 "
1966 (partial)	250.0 "
	$ 1,265.0 "

Statutory, economic, and political factors to some extent limit the Government's flexibility in reducing excess stockpiles. The Strategic and Critical Materials Stockpiling Act requires that as a general rule excess materials in the national and supplemental stockpiles may be sold only after a six-month waiting period following publication of a plan of disposal and the giving of notice to the Congress and, in most cases, only with the express approval of the Congress. However, none of the Defense Production Act materials are subject to this requirement. Disposal plans must also take into account the potential economic impact on the producing industries and on the economic stability of nations with which the U.S. has friendly interests.

The Government's determination to get out from under the burden of the stockpile surplus received a strong impetus from President Johnson soon after he entered the White House. Acting on the conviction that the rate of disposal should be increased significantly in order that the valuable commodities in the stockpile would not go to waste, the President provided in his Budget for fiscal year 1965 (submitted in January 1964) for disposals of at least $155 million (compared with $114 million which had been projected in the prior fiscal year.) Again, in his 1966 Budget (submitted in

January 1965) he estimated sales of $200 million. Actually, by the end of fiscal year 1965, the President's drive to dispose of the surplus resulted in sales far in excess of the original targets, totalling $432 million for fiscal 1965.

Since the 1966 Budget was sent to the Congress in January 1965, there have been new developments which have altered the entire policy framework: (1) military operations in Vietnam have built up significantly, (2) there is growing evidence of a large increase in imports of many materials needed in the economy and which are available from the stockpile, and (3) the increasing tightness of domestic supplies of many materials has given rise to problems of price stability. This array of new factors caused the President, during the past summer, to order a thorough review of disposal goals and the development of a plan to dispose of $750 million to $1 billion worth of stockpile surplus during the present fiscal year.

How the Aluminum Surplus Came About

Two principal factors account for the oversupply of aluminum in the stockpile:

(1) Frequent upward adjustment of stockpile objectives in the 1950's as compared with lower present-day objectives;

(2) Commitments in the early 1950's under the Defense Production Act authority to purchase aluminum production above regular market demand, as a device to stimulate expansion of production for national defense.

1. Variations in stockpile objectives

As the next table shows, there have been marked gyrations in stockpile objectives. When the objective for aluminum was first set in 1949, the goal was 250 thousand short tons. But for six years (1952-58) the objective was set at 2 million short tons or higher. It was during this period of high objectives that the Government committed itself to buy aluminum.

In 1958 the aluminum objective was reduced sharply, reflecting the Government's assumption of a three-year emergency period rather than the five years previously used to calculate needs. As soon as the revised objective was set, simple arithmetic put the inventory 1.3 million tons higher than the new objective of 290 thousand tons.

By September 30,1965, the objective had been changed twice again (finally in 1963 to 450 thousand tons) and the inventory on hand showed an excess of 1.4 million tons. The market value of the inventory within the objective was $220.5 million and the excess inventory $706.2 million.

Aluminum Stockpile Objectives and Inventories
(thousands of short tons)

Date of New Objective	Objective	Nearest Inventory Date	Total Inventory on Hand
11-17-49	250	11-17-49	22
11-2-50	700	12-31-50	49
7-17-52	2,000	6-30-52	112
8-3-54	2,500	6-30-54	549
11-1-55	2,000	12-31-55	1,043
6-30-58	290	6-30-58	1,613
11-4-59	1,200	12-31-59	1,807
7-17-63	450	6-30-63	1,995
9-30-65	450	9-30-65	1,891*

*GSA reports that since disposals began in 1963, about 106 thousand short tons of aluminum have been sold (to Alcoa, Kaiser, and Reynolds) for $49.4 million.

2. Defense Production Act commitments

In 1950, severe shortages of aluminum existed, requiring the institution of a controlled materials plan and the release of stockpile inventories. Aluminum ingot capacity in 1950 was 750 thousand short tons. Under the authority of the Defense Production Act, the Government planned to expand this capacity to 1.3 million tons by 1953 and to 1.6 million tons by 1954.

The principal Government inducement was a commitment to purchase at market prices over a five-year period such output as could not be sold privately. Largely under the commitment contracts, financed partially from stockpile funds and partially with DPAct borrowing authority, the Government acquired the following amounts of aluminum:

	Thousand short tons
Alcoa	646
Reynolds	523
Kaiser	516
Harvey	183
Other	194
	2,062

The aluminum capacity expansion was accomplished in three rounds, the last of which was slowed down beginning late in 1953 as it became apparent that revised military requirements should be considered. The final decision in 1954 to halt the third round expansion took into account

- lower estimates for military use
- reduced consumer and military demands at the end of 1953
- the scheduled Alcoa procurement from Alcan of 600 thousand tons to be delivered in 1954-58
- re-evaluation of the dependability of Canadian supply.

Harvey, which had obtained a letter of intent dated May 15, 1953, had not begun construction at the end of 1954. Despite Government attempts to discourage the Harvey expansion, formal contracts were entered into in September 1955, which resulted in deliveries of aluminum to the Government as late as 1963.

Chronology of Aluminum Disposal Efforts

The national stockpile was under intensive scrutiny in 1962 by the Executive Stockpile Committee appointed by President Kennedy. Late in August 1962, the Office for Emergency Planning requested the General Services Administration to develop a moderate disposal plan for the total excess aluminum in the Defense Production Act inventory which was below

99.6% purity (about 158,000 short tons). After nine months of efforts to work out a plan, including meetings with representatives of the industry, a disposal program was initiated in May 1963. The plan provided for the disposal of 135,000 short tons of low-grade aluminum between that time and June 30, 1965. It was agreed that during this period no other disposal of excess stockpile aluminum would be made except for direct Government use.

During this period, the Government was engaged in preparing a more comprehensive plan for the disposal of the total aluminum excess of 1.4 million short tons.

On May 10, 1965, Government and industry representatives again met, to discuss the Government's long-range plan. The Government's proposal involved the disposal of the total excess over a ten-year period, with flexibility in the use of periodic competitive offerings or direct sales contracts. The industry representatives expressed preference for the long-term sales contract with producers, indicated that a 20-year period would be required for orderly disposal, and recommended a beginning program involving 500,000 short tons over a six-year period with all producers participating.

On July 7, 1965, the Government again met with representatives of the aluminum industry. This meeting was designed to explore further a plan for disposal of the total aluminum excesses over a period of ten to fifteen years. The plan was to sell 100,000 tons the first year with a rate in subsequent years to be increased or decreased to reflect the expected growth of the industry. The program was to start with 500,000 short tons in the DPA inventory, to which would be added the excess in the National Stockpile when authorized by the Congress.

The industry appeared to be in agreement that a six-year program to take the 500,000 tons of DPA material could be worked out, again with all producers participating, and GSA was asked to work out details of a plan. However, the industry took a different view of the problem of the total stockpile excess. They indicated that there was no need for the material, that 18 or 20 years for the total disposal might be reasonable, that the industry should be free to determine when they took the material, and that sales should be made at the published market price.

During the week of September 6-10, 1965, the General Services Administration conferred individually with representatives of the three largest aluminum producers, Kaiser, Alcoa, and Reynolds Aluminum, to discuss further the long-range disposal problem. The companies expressed interest in exploring such a program, but continued to indicate that they werethinking in terms of a disposal period up to 20 years.

On September 23, 1965, Government officials again met with industry representatives. At this time the Government proposed a program for disposal of 1.2 million tons of excess aluminum through direct sale to the producing industry. The excesses were to be moved out over a five-year period with sales on a combination cash and credit basis designed to create revenues exceeding $350 million in the current fiscal year and about $150 million in each of the next two fiscal years. The 1.2 million tons, along with a 200,000 ton set-aside for sales to non-integrated users in the same period, represented the entire aluminum surplus.

The industry reaction was negative. They contended that they were financially unable to undertake such an obligation. They expressed belief that absorption of Government material at such a rate would abort their growth programs and even curtail or close some production facilities. The producers again expressed willingness to help with the disposal problem but over a 20-year period. The industry recommended that a program be drafted involving only 770,000 tons in the DPA inventory, which they felt could be absorbed over a period up to ten years.

On September 27, 1965, Government representatives met again with officials representing five aluminum producers. The other producers either did not respond to the invitation or expressed disinterest in pursuing further the development of a long range disposal program. After discussion, Alcoa, Reynolds, and Kaiser advised that they would participate with firm contract obligations to purchase either (1) 700,000 tons in ten years, or (2) 450,000 tons in six years, subject to a number of conditions including (a) the purchasers to have complete flexibility as to time of drawdown, (b) sales to be at current domestic price at time of delivery, and (c) industry-wide participation under identical contracts with all purchasers.

At about this stage in the negotiations, the Government's position became reinforced as the Defense Department firmed up requirements for aluminum for Vietnam operations, and rising imports and demand-supply strains in the economy for various materials became factors of increased importance.

On October 25,1965, the General Services Administration consulted with industry by telephone, stating the Government's intention to release 100,000 tons of aluminum for bid. Industry reaction to this information was mixed.

On November 3, 1965, the Administrator of GSA held meetings with representatives of the industry to renew efforts to work out a mutually acceptable disposal program. He pointed out that defense requirements related to the Vietnam buildup would indicate a need for an increase of 200,000 tons. He noted that industrial production was at or near capacity, and that available data indicated that industry could supply the additional requirement only at the expense of the civilian economy. Mr. Knott stated that since the stockpile was acquired for defense use in an emergency, the Government felt that acquisition of the additional aluminum must be reflected in at least an equivalent decrease in stockpile surplus. He noted further a projected rise in aluminum imports of more than 200,000 tons in 1964-1966 and related this to the adverse effect on our balance of payments, adding that the Government was considering a requirement that defense contractors use only domestic aluminum if industry would agree to purchase at least 200,000 tons of stockpile excess this year.

Mr. Knott emphasized that there was no relationship between the

Government's effort to accelerate disposals of excess aluminum and recently announced price increases, indicating that this meeting was a continuation of earlier meetings on disposals. Industry representatives recognized that new factors had been introduced which required consideration by the companies, but repeated their earlier position that they were interested in resolution of the total excess problem but not in a one-year plan.

Another meeting was held on the morning of November 5,1965, to again consider the Government proposal that industry agree to buy 200,000 tons of excess aluminum this year or commit to the purchase over 5 to 7 years of the entire excess. The industry representatives generally expressed interest in cooperating but at a level involving a disposal rate of 100,000 tons per year and on the assumption that most if not all producers would participate. However, the majority of the industry representatives were open-minded as to the possibility of absorbing somewhat more than the 100,000 tons after the first year. The sense of the industry position was that they were prepared to join in a 14-year program to liquidate the excess of 1.4 million tons.

A second meeting with industry was held in the afternoon to make a final effort to get industry help on how to move 200,000 tons of excess aluminum in 1966. Mr. Knott stated that the Government was prepared to discuss a long-range plan covering DPA excesses or total excesses, but not tied to a firm 1966 commitment of 200,000 tons and unless the companies were prepared to make such a commitment the Government would work off that quantity through Defense contractors. Several other alternative proposals were presented by the Government, all designed to increase quantities disposed of annually. Industry countered with a complicated proposal based on their allocable share of 100,000 tons a year for 14 years, Defense contractors to be required to purchase 50 percent of their requirements from the stockpile, and a certificate system to credit the producers annual purchase commitment with DOD contractors' purchases. Since the plan did not guarantee disposal of 200,000 tons in 1966 it was not acceptable to the Government and the industry was invited to meet again the next day.

On November 6 the Government and industry representatives again met. The Government asked for a firm industry agreement to purchase a minimum of 200,000 tons of aluminum in 1966. The industry representatives indicated that they would agree to purchase the 200,000 tons on a conditional basis, i.e., (a) all of the industry participating, or if not an opportunity for further discussion, (b) flexibility of the annual minimum provided in the long-term plan for future years, and (c) the entire long-range plan is worked out. The Government was not prepared to accept these conditions, since it was confronted with an urgent need for additional aluminum to support Vietnam operations and the excess in the stockpile could supply it if the industry would cooperate.

Meanwhile, toward the end of October the President reviewed the stockpile situation, including the facts on excess aluminum inventories. The President instructed his White House staff to call in key Government officials to determine how disposals could be stimulated in view of increasing imports and the growing requirements of the defense program. This meeting took place in the White House on November 1, and the Defense Secretary stated that the Defense Department believed it necessary to purchase a substantial increment of the aluminum stockpile inventory for defense production expansion and in the light of increasing imports and the fact that the aluminum industry was producing at or beyond full capacity. This meeting led directly to the series of conferences held in early November with the industry regarding aluminum disposal.

On November 6,1965, Secretary McNamara announced publicly that negotiations with the aluminum industry for the disposal of 200,000 tons of excess in the coming year had been unsuccessful. The Secretary stated that the Government had no alternative, if it were to serve the national welfare and protect the consuming public, other than to dispose of 200,000 tons of surplus aluminum at market prices. He added that the Government stood ready to cooperate with the industry in working out plans for the orderly disposition of the remainder of the surplus.

On November 10, Secretary McNamara announced that representatives of Alcoa had asked to meet with him. The industry representatives stated that they recognized the need to maintain price stability in the face of rising demand and increased defense production, and were prepared to rescind the price increases previously announced by the company. In response, Secretary McNamara agreed to resume negotiations for the orderly disposal of 1.4 million tons of stockpile surplus, and agreed also to limit the quantity of metal to be disposed of in 1966 to less than 200,000 tons.

On November 16, the Government and the major aluminum producers came into agreement in principle that the industry would purchase the surplus aluminum at an average rate of not less than 100,000 tons per year or the defense requirement, whichever is greater, but not to exceed 200,000 tons per year (except that in 1966 the minimum to be purchased will not be less than 150,000 tons). At the same time, the Defense requirement for 1966 was recomputed to range between 300,000 and 400,000 tons.

Negotiations were immediately continued and resulted in a signed agreement on November 23,1965. Under it, Alcoa, Kaiser, Olin Mathieson, and Reynolds undertook to purchase the total excess stockpile of aluminum approximating 1.4 million short tons. Various factors, including the level of defense needs, will affect the annual rates of purchase from the stockpile, so that the time period required for full liquidation of the entire surplus cannot be estimated except in an approximate range of 7 to 14 years. Under the agreement, Defense contractors will purchase a pound of stockpile aluminum for each pound of aluminum contained in the end product required. The participating purchasers will guarantee the sale of 150,000 tons from November 1, 1965 to December 31,1966 and 100,000 tons per year thereafter or the defense requirement, whichever is greater, but not in excess of 200,000 tons annually. All other domestic primary producers and Aluminium, Ltd., may elect to participate in the disposal plan on or before January 1,1966. The agreement also sets aside 25,000 tons for sale to small business, non-integrated, and other non-participating producers in the first year, and the Government has the right to sell to such producers up to 10,000 tons annually in succeeding years.

With the conclusion of the long Government negotiations with the industry for disposal of the total aluminum surplus, the prevailing industry attitude was expressed in the statement by T.J. Ready, Jr., President of Kaiser Aluminum & Chemical Corporation on November 23: "The Government and the participating members of the aluminum industry have taken a major step forward today."

* * *

gaj/

EXECUTIVE

PQ1
ND4-3

December 4, 1965

FOR THE PRESIDENT

FROM Joe Califano

Attached are (1) a table of proposed disposals prepared by all interested agencies under John Douglas' direction; and (2) a summary of State's position as orally given to John Douglas this morning. Written confirmation will be sent by State to me on Monday.

We plan to proceed along the following lines unless you have some objection:

(1) Proceed with basic sales program as outlined in attached table. In a few instances routine clearances will be needed from Commerce and Interior. Moody of GSA can obtain them.

(2) Accept State's objections contained in attached sheet for the present. State has given considerably; the remaining reservations make sense. Acceptance of State's position involves only about $50 million -- out of about 1 billion -- and GSA should find other commodities to make up the difference.

(3) In those instances where Presidential or legislative action needed, plan now to proceed by legislation rather than Section 5 Presidential action. Possible exception is molybdenum where Defense and CEA may still come up with facts to support a "common defense" finding as with copper. There is no similar pressure for other commodities. GSA believes that obtaining the necessary legislation will be easy.

APPROVE __________ DISAPPROVE __________

Original not sent to file as of 7/5/66 LB.

LE5
ND4-3

MEMORANDUM

Recd Ranch 12-4-65 11:00 P

THE WHITE HOUSE

WASHINGTON

6:00 p.m., Saturday
December 4, 1965

FOR THE PRESIDENT

FROM Joe Califano

Attached is a chronology of your voting and committee record on stockpiles. The detailed narrative of the whole history of the stockpile, including the current aluminum situation, is still being worked on in the Bureau of the Budget and has not yet reached Hardesty and Sparks for polishing.

In addition to the attached chronology of your voting record, Hardesty and Sparks (with the help of Pauline Moore) have come up with the following two quotes as examples which show how long ago you held your present position:

On May 11, 1951, you said:

"In the United States, we recognize that the tremendous burdens of a stockpile are a disagreeable but necessary result of the threatening Communist aggression. Our taxpayers shoulder this burden not because they like to, but because the safety of the country requires it .... No one can guarantee to any industry that if it expands for the common defense, it may not have to contract should peace be secured again. So far as we know, only the tin industry demands such assurances as a price for sharing in the burden of preparedness."

On September 14, 1951, you said:

"All agreed that the United States does not have to pay -- and will not pay -- the inflated rubber prices being sought by some rubber interests.

"This is a firm national policy of the United States -- a policy representing, I believe, the determination of the Congress and the people of the United States that this country pay not one cent of tribute to any interests of any nation as the price of security.

"This policy, which has worked so successfully in the field of national rubber, should be our national policy in regard to the purchases abroad of all vital materials -- from tungsten to tin. The world should know that the United States does not intend to bend its knee before the extortioners of the world market."

Attach.

gorly

EXECUTIVE OFFICE OF THE PRESIDENT
BUREAU OF THE BUDGET
WASHINGTON 25, D.C.

EXECUTIVE
ND 4-3

OFFICE OF
THE DIRECTOR

December 3, 1965

NOTE FOR LARRY LEVINSON

SUBJECT: STOCKPILE PAPER

As you requested:

1. Attached is a 2-page rundown on the Symington hearings. Most of what is on page 1 probably won't fit into what we are doing, but you might be able to rephrase a bit of what is on the second page.

2. On page 14 of the draft I gave you, at the 6th line from the bottom, change the period to a comma after the word "conditions" and add ...

> since it was confronted with an urgent need for additional aluminum to support Vietnam operations and the excess in the stockpile could supply it readily if the industry would cooperate

I think this does it.

WDC

William D. Carey
Executive Assistant Director

Inquiry into the Strategic and Critical Materials Stockpiles of the United States

In January 1962, President Kennedy indicated a need for a thorough investigation of the stockpile program and offered Senator Symington, Chairman of the Senate Stockpiling Subcommittee (Armed Services), the full cooperation of the executive branch. The Subcommittee held 63 meetings and hearings from February 1962 through January 1963, producing a printed record of 3,900 pages. On October 24, 1963, Senator Symington submitted a draft report, which was printed even though the subcommittee failed to approve the report. Senators Symington, Cannon and Engle favored the report. Senators Thurmond, Beall and Case (N.J.) opposed the report and filed dissents. Senator Beall indicated that the views were "...slanted in approach, lacking in objectivity, and unwarranted in attacks on former Government officials." Senator Case expressed similar views. Senator Thurmond indicated a need for further study of nuclear and cold war requirements, and the proposed legislation.

The subcommittee report highlighted some 27 topics from the testimony, alluding to such matters as the use of the stockpile to support the lead and zinc industry; contracts which were entered into when it was known that the materials were not needed; windfall profits obtained from diversion and deferment of contract deliveries; losses on certain contracts; conflicts of interest; and the M.A. Hanna and Falconbridge contracts. In addition the report also covered more general matters such as technological developments, changes in assumptions, barter for agricultural surplus, disposal of surplus material procedures, and the need for stockpiles in the future.

The subcommittee report included 18 recommendations. Among the more important were those favoring legislation to consolidate inventories, to facilitate disposals and to assure that future contracts were subject to the Renegotiation Act. The report also referred to the need for long-range disposal plans. The report recommends that surpluses should be promptly identified and may be employed in foreign aid, defense procurement and to obtain survival items to the extent possible. However, the report concludes that stockpiling for rehabilitation following an atomic attack was infeasible and would in any event require legislation.

The report also recommended that uniform methods of establishing objectives be employed, and that inventories and operations be maintained on an unclassified basis open to the public. It was recommended that stockpiling be conducted to avoid windfall profits from contract modifications, and to avoid using stockpile funds for price support purposes. The report recommend~~s~~ed that barter for surplus agricultural products should not be used to reduce worldwide oversupplies of strategic materials.

At the end of October 1963, Senator Symington introduced S. 2272, a bill which would implement some of the recommendations made in the report on stockpiling. This bill, as amended, is now being considered in the 89th Congress as S. 28.

B.B. FORM NO. 34

Stockpile.

UNITED STATES GOVERNMENT

Memorandum

Executive Office of the President
Bureau of the Budget

TO : Mr. Wm. D. Carey

DATE: December 1, 1965

FROM : Ruth Fine R. Fine

SUBJECT: Statements of the President on stockpiling

Attached are two Presidential statements dealing with: termination of lead and zinc import limitations (October 22, 1965) and release of zinc and nickel from the national stockpile (November 5, 1965) These are the only additions to the previous items that we have been able to identify.

Our search has covered:

Senate Armed Services Preparedness Subcommittee hearings and reports

Congressional Record indexes 1939-1963
under headings: Stockpile
Strategic and critical materials
Mines & mining
Johnson, L.B.
Vice President

Library of Congress Legislative Reference card file on testimony before Congressional Committees 1943-to-date

U.S. Senate Library card file of testimony - 1939-1942

White House Press release subject index to Presidential Statements

Hearings on legislation dealing with stockpiling 1946-1962 (The index to 1962 hearings cite Senate Preparedness Subcommittee Reports during the 50's - nothing later)

Congressional Quarterly Weekly Report Indexes 1950-1964

Congressional Quarterly Almanacs 1945 to-date

OLR's compilation of LBJ statements

New York Times Index 1950-1964

Facts on File 1956-1963

Attachments: 2

gaty / ere

Platinum Folder

(3)

EXECUTIVE
ND 4-3
CM/Rubber
FG 115
FG 11-6

December 2, 1965

FOR Secretary Ignatius

FROM John Douglas

Please ascertain if Secretary Vance would be willing to sign a memorandum to OEP on rubber containing the attached language.

I will telephone you tomorrow by noon. Joe Califano will then get in touch with State.

attach.

cc: Califano

Mounting Viet Nam requirements will call for a heavy increase in the use of rubber by the Department of Defense. Current use of rubber by the Department of Defense from the stockpile is running at the rate of 4,000 tons per month. We estimate that increased requirements stemming from Viet Nam will amount to an additional 6,000 tons, for an estimated total rate of 10,000 tons per month. We understand that commercial sales from the stockpile are now running at 6,000 tons per month. In our opinion, therefore, the national interest calls for the immediate disposal of rubber from the stockpile at the rate of 16,000 tons per month.

EXECUTIVE
CM/Copper
BE5-2
ND4-3
TA4
CO.49

(4)

December 1, 1965

MEMORANDUM FOR MR. CALIFANO

JVP From: John W. Douglas

Re: Status of Copper

1. Domestic Prices. All domestic producers have come down to 36¢. Copper Range fell in line on November 29.

2. "Free Market" Prices. London Metal Exchange - about 65¢. Commodity Exchange (N. Y.) - about 54¢. Both Markets are fluctuating. Governors of Commodity Exchange will meet with Treasury later this week concerning increases in margin requirements; outcome is uncertain. Changes to date are minuscule. It looks to me as though Fowler will have to get very tough.

3. Foreign Production. Union leaders have announced settlement. Work will resume in 2 days. Full production in 2 weeks. Zambian copper still moving; future continues uncertain.

4. Chilean Rollback. Announcement must await legislation, which Frei thought would not come before end of year.

5. Export Controls. Commerce's detailed regulations have gone out. Giles reports no real problems.

6. Stockpile Disposals. GSA will release 200,000 tons by December 13, 1965 (target allocation date). GSA is now releasing 30,000 tons for defense-rated orders.

7. Estimated 1966 Production.

   1. Domestic is projected at 1,518,000 tons - an increase of 125,000. This increase was planned at a time when domestic price was 32¢-34¢ and the demand was less strong. We can therefore expect some additional increase for a total of 150,000 - 175,000 tons.

   2. Free World Production - 5,090,000. An increase of 300,000 tons. This assumes uninterrupted production.

Filed by Califano's Office 1/5/68

(2)

EXECUTIVE
LE
FG11-1
ND4-3

December 1, 1965

MEMORANDUM FOR Honorable Elmer Staats
Deputy Director of the
Bureau of the Budget

We have had a series of continuing discussions on the framework for next year's legislative program. High on the list of important items is legislation to strengthen and accelerate the disposal of our stockpiled materials, and to streamline our stockpile management.

There are, as you know, several pending legislative proposals which deal with stockpiles. While these are steps in the right direction more work must be done before a bill is developed which will accomplish the desired results.

This will confirm the President's request that you get together with OEP and GSA to work up an effective stockpile bill that could be incorporated as a key feature of the Administration's legislative program for next year.

I would appreciate receiving a report with your proposals by December 13th.

Joseph A. Califano, Jr.
Special Assistant to the President

cc: Governor Ellington
Lawson Knott
Sam Hughes

Rec'd
Central Files
12/2/65

Nothing else sent to
Central Files as of 12/21/65

EXECUTIVE
FG415/D*
ND4-3

November 29, 1965

MEMORANDUM FOR Secretary of the Treasury
Secretary of Defense
Secretary of Commerce
Secretary of Labor
Administrator, General Services Administration
Director, Office of Emergency Planning
Chairman, Council of Economic Advisers

*

The Joint Committee on Defense Production is inquiring into various stockpile problems associated with the Defense Production Act and is also inquiring into problems associated with stabilization and prices generally. In order to assure maximum cooperation with the Committee, all matters concerning this hearing will be coordinated by the Director of the Office of Emergency Planning.

/s/

Joseph A. Califano, Jr.
Special Assistant to the President

1020/ 1/

EXECUTIVE
ND4-3
FG240

①

EEA226
PP WTE10
DE WTE 411

Received:
1:25 A. M. Thursday November 25, 1965

FROM: JOE CALIFANO
TO : THE PRESIDENT
CITE: WH50496

UNCLASSIFIED

UNCLAS

THERE FOLLOWS THE TEXT OF MEMORANDUM FROM LAWSON KNOTT ON THE STOCKPILE AND DETAILED INFORMATION ON THE TOP 20 COMMODITIES.

TO : THE PRESIDENT

DATE: NOV 24, 1965

FROM: THE ADMINISTRATOR

QUOTE

THE STOCKPILES OF STRATEGIC AND CRITICAL MATERIALS NOW CONSISTS OF 86 COMMODITIES WITH A CURRENT MARKET VALUE OF APPROXIMATELY $7,760,000,000. THE INVENTORIES CONTAIN QUANTITIES OF 68 COMMODITIES WHICH ARE EXCESS TO ESTABLISHED EMERGENCY NEEDS. THE TOTAL VALUE OF SUCH EXCESSES IS JUST OVER $4 BILLION.

DISPOSALS OF STOCKPILE MATERIALS CARRIED IN THE STRATEGIC AND CRITICAL MATERIALS INVENTORY (SCM) MAY BE MADE ONLY AFTER LEGISLATIVE AUTHORITY HAS BEEN GRANTED OR UNTIL RELEASED BY PRESIDENTIAL ACTION AS IN THE CASE OF COPPER. MATERIAL MAY BE DISPOSED OF FROM THE DEFENSE PRODUCTION ACT INVENTORY (DPA) BY EXECUTIVE ACTION WITHOUT LEGISLATIVE AUTHORITY OR SPECIAL PRESIDENTIAL RELEASE.

WE HAVE REVIEWED THE 20 COMMODITIES WHICH CONSTITUTE 80 PERCENT OF THE TOTAL STOCKPILE VALUE. A BRIEF ANALYSIS OF EACH OF THESE COMMODITIES IS OUTLINE BELOW.

EACH COMMODITY ANALYSIS INCLUDES ESTIMATES AS TO THE AMOUNT OF SUCH MATERIAL THAT WE BELIEVE CAN BE SOLD BETWEEN NOW AND JUNE 30, 1966. THE FIGURE SHOWN AS THE FORMER GOAL IS THE AMOUNT WE HAD EXPECTED TO SELL DURING THIS PERIOD BASED ON EARLIER MARKET CONDITIONS, AND IN ANTICIPATION OF PROBLEMS IN OBTAINING NECESSARY DISPOSAL AUTHORIZATIONS. THE FIGURE SHOWN AS THE REVISED GOAL (NOVEMBER 24, 1965) REPRESENTS OUR BEST JUDGEMENT AS TO THE AMOUNTS WHICH CAN BE SOLD IN THE MARKET BETWEEN NOW AND JUNE 30, 1966, WITHOUT UNDULY DISRUPTING THE MARKET, TAKING INTO ACCOUNT SUCH BASIC CONSIDERATIONS AS PRICE STABILITY, EMPLOYMENT, INDUSTRIAL GROWTH, FOREIGN TRADE RELATIONS, ETC. THE REVISED GOALS ASSUME NO PROBLEMS IN OBTAINING DISPOSAL AUTHORIZATION WHERE REQUIRED.

ON THE BASIS OF THE REVISED GOALS, IT NOW APPEARS THAT TOTAL DISPOSALS BETWEEN NOW AND JUNE 30, 1966, WILL PRODUCE REVENUES OF APPROXIMATELY $486,650,000, WHICH TOGETHER WITH SALES COMMITMENTS DURING THE PERIOD JULY 1 TO DATE OF $250 MILLION, WILL RESULT IN A SALES COMMITMENT FOR THE ENTIRE 1966 FISCAL YEAR OF $800 MILLION. PROJECTING OUR POTENTIAL SALES ON THE SAME ASSUMPTION TO COVER THE SECOND HALF OF CALENDAR YEAR 1966, WE ANTICIPATE A PROGRAM FOR THE ENTIRE 1966 CALENDAR YEAR, WHICH WILL BE AT OR NEAR THE $1 BILLION FIGURE.

(SIGNED)

LAWSON B. KNOTT, JR.

NUMBER 1 - ALUMINUM

INVENTORY POSITION:		QUANTITY (SHORT TONS)	VALUE
TOTAL		1,898,199	$911,000,000
EXCESS		1,448,199	695,100,000
	DPA	769,499	
	SCM	1,128,700	

PRICE: $480 PER TON

GOALS NOW TO JUNE 30:	QUANTITY (SHORT TONS)	VALUE
FORMER	50,000	$24,000,000
REVISED	100,000	48,000,000

REMARKS:

AGREEMENT HAS BEEN REACHED WITH INDUSTRY TO TAKE ALL EXCESSES (1.4 MILLION TONS). NOW HAVE AUTHORITY FOR DPA PORTION (769,499 TONS), WILL NEED ADDITIONAL AUTHORITY THROUGH LEGISLATION FOR SCM PORTION (678,700 TONS).

NUMBER 2 - BAUXITE, METAL GRADE, JAMAICA AND SURINAM TYPES

INVENTORY POSITION:		QUANTITY-LONG DRY TONS	VALUE
TOTAL		16,665,869	$200,000,000
EXCESS		6,365,869	76,400,000
	DPA	1,370,077	
	SCM	5,842,446	
	SUPPLEMENTAL	9,453,346	

PRICE: $12 PER LONG DRY TON

GOALS NOW TO JUNE 30:	QUANTITY-LONG DRY TONS	VALUE
FORMER	200,000	$2,400,000
REVISED	400,000	4,800,000

REMARKS:

NOW FREE TO SELL ONLY 200,000 LONG DRY TONS. MEETING REVISED GOAL WILL DEPEND ON CONGRESSIONAL AUTHORIZATION AND REVISED STATE DEPARTMENT POSITION BECAUSE OF CONCERN RE JAMAICA ECONOMY.

NUMBER 3 - CHROMITE-METALLURGICAL

INVENTORY POSITION:	QUANTITY-SHORT DRY TONS	VALUE
TOTAL	6,341,666	$324,610,540
EXCESS	3,371,666	179,153,940
DPA	985,646	
SCM	3,755,878	
SUPPLEMENTAL	1,600,142	

PRICE: $51.20 PER SHORT DRY TON 1/

GOALS NOW TO JUNE 30:	QUANTITY-SHORT DRY TONS	VALUE
FORMER	0	0
REVISED	100,000	$2,000,000

REMARKS:

CURRENTLY AUTHORIZED TO SELL ONLY DPA MATERIAL WHICH IS LOW GRADE. WOULD NEED CONGRESSIONAL AUTHORIZATION TO ATTAIN GOAL AND ACHIEVE ESTIMATED SALES VALUE OF REVISED GOAL THROUGH INCLUSION OF HIGHER GRADE MATERIAL. MARKET COULD NOT TAKE MORE THAN 200,000 TONS PER YEAR.

1/ THIS PRICE APPLIES TO ALL FORMS OF CHROME IN THE INVENTORY, INCLUDING UPGRADED FORMS. QUANTITY TO BE SOLD UNDER REVISED GOAL CONSISTS PRIMARILY OF ORE WHICH CARRIES THE LOWER SALES VALUE OF $20.00 PER SHORT DRY TON INDICATED FOR REVISED GOAL.

NUMBER 4 - COBALT

INVENTORY POSITION:	QUANTITY-POUNDS	VALUE
TOTAL	102,200,817	$168,631,413
EXCESS	60,200,817	99,331,413
SCM	76,068,768	
DPA	25,066,651	
SUPPLEMENTAL	1,065,398	

PRICE: $1.65 PER POUND

GOALS NOW TO JUNE 30:	QUANTITY-POUNDS	VALUE
FORMER	0	0
REVISED	1,000,000	$1,650,000

REMARKS:

NO CONGRESSIONAL AUTHORITY NEEDED ON DPA MATERIAL, BUT AUTHORITY TO SELL BEING WITHHELD BECAUSE OF STATE DEPARTMENT CONCERN WITH CONGO. REVISED GOAL REPRESENTS MAXIMUM MARKET WOULD TAKE.

NUMBER 5 - COLUMBIUM

INVENTORY POSITION:	QUANTITY (LBS.)	VALUE
TOTAL	15,801,388	$23,700,000
EXCESS	14,625,388	21,938,000
DPA	8,030,905	
SCM	7,398,948	
SUPPLEMENTAL	371,535	

PRICE: $1.50 PER LB.

GOALS NOW TO JUNE 30:	QUANTITY (LBS.)	VALUE
FORMER	200,000	$300,000
REVISED	600,000	900,000

REMARKS:

MARKET CAN TAKE THE QUANTITIES INCLUDED IN REVISED GOAL--SUPPLIES GROWING TIGHTER--ATTAINMENT OF REVISED GOAL WILL REQUIRE CHANGE IN POSITION OF DEPARTMENT OF STATE THAT QUANTITY BE LIMITED TO 200,000 POUNDS BECAUSE OF ANTICIPATED PROBLEMS WITH NIGERIA.

NUMBER 6 - COPPER

INVENTORY POSITION:	QUANTITY (SHORT TONS)	VALUE
TOTAL	809,088	$582,500,000
EXCESS	34,088	24,500,000
SCM	796,706	
SUPPLEMENTAL	12,382	

PRICE: $720 PER SHORT TON.

GOALS NOW TO JUNE 30:	QUANTITY (SHORT TONS)	VALUE
FORMER	200,000	$144,000,000
REVISED	400,000	288,000,000

REMARKS:

PRESENT GOAL COVERS THE 200,000 SHORT TONS REPRESENTED BY THE PRESIDENTIAL RELEASE OF NOVEMBER 18, BUT WE BELIEVE THAT THE MARKET CAN ABSORB SUBSTANTIALLY MORE COPPER, AND IT IS RECOMMENDED THAT THE SITUATION BE REVIEWED AFTER THE PRESENT RELEASE IS COMPLETED.

NUMBER 7 - INDUSTRIAL DIAMONDS-CRUSHING BORT

INVENTORY POSITION:	QUANTITY-CARATS	VALUE
TOTAL	36,712,706	$82,604,000
EXCESS	12,012,706	27,029,000
SCM	31,162,127	
SUPPLEMENTAL	5,550,579	

PRICE: $2.25 PER CARAT

GOALS NOW TO JUNE 30:	QUANTITY-CARATS	VALUE
FORMER	0	0
REVISED	2,000,000	$4,500,000

REMARKS:

ATTAINMENT OF REVISED GOAL REQUIRES CONGRESSIONAL AUTHORIZATION AND CHANGE IN STATE DEPARTMENT CONCERN ABOUT THE CONGO.

NUMBER 8 - INDUSTRIAL DIAMONDS-STONES

INVENTORY POSITION:	QUANTITY-CARATS	VALUE
TOTAL	24,698,775	$332,039,000
EXCESS	8,198,775	104,894,300
SCM	9,268,736	124,628,800
SUPPLEMENTAL	15,430,039	197,410,200

PRICE: $9.00 PER CARAT

GOALS NOW TO JUNE 30:	QUANTITY-CARATS	VALUE
FORMER	0	0
REVISED	500,000	$4,500,000

REMARKS:

ATTAINMENT OF THE REVISED GOAL REQUIRES CONGRESSIONAL AUTHORIZATION AND CHANGE IN STATE DEPARTMENT CONCERN ABOUT SOUTH AFRICA, GHANA, AND SIERRA LEONE.

NUMBER 9 - LEAD

INVENTORY POSITION:	QUANTITY (SHORT TONS)	VALUE
TOTAL	1,296,107	$414,800,000
EXCESS	1,296,107	414,800,000
SCM	988,222	
SUPPLEMENTAL	307,885	

PRICE: $320 PER SHORT TON.

GOALS NOW TO JUNE 30:	QUANTITY (SHORT TONS)	VALUE
FORMER	25,000	$8,000,000
REVISED	25,000	8,000,000

REMARKS:

NOW HAVE AUTHORITY TO DISPOSE OF 90,000 SHORT TONS TO INDUSTRY AND 49,021 SHORT TONS FOR DIRECT GOVERNMENT USE, BUT MARKET CANNOT ABSORB MORE THAN 25,000 SHORT TONS BY JUNE 30.

NUMBER 10 - MANGANESE-METALLURIGICAL

INVENTORY POSITION:	QUANTITY(SHORT DRY TONS)	VALUE
TOTAL	12,932,122	$483,913,200
EXCESS	5,032,122	117,385,400
SCM	5,852,191	
SUPPLEMENTAL	4,099,674	
DPA	2,980,257	

PRICE: $37.42 PER SHORT DRY TON 1/

GOALS NOW TO JUNE 30:	QUANTITY (SHORT DRY TONS)	VALUE
FORMER	0	0
REVISED	100,000	$3,300,000

REMARKS:

NOW HAVE AUTHORITY TO SELL ONLY LOW-GRADE DPA ORES. NEED OEP AUTHORITY TO SELL HIGHER GRADE ORES IN DPA INVENTORY.

1/ THIS PRICE INCLUDES MARKET VALUE FOR ALL MANGANESE, INCLUDING UPGRADED FORMS. VALUE FOR REVISED GOAL REFLECTS SALES OF ORE AT LOWER UNIT VALUE OF APPROXIMATELY $33 PER SHORT DRY TON.

NUMBER 11 - MICA

INVENTORY POSITION:	QUANTITY-POUNDS	VALUE
TOTAL	71,870,404	$137,400,000
EXCESS	40,353,404	77,100,000
SCM	56,462,797	
DPA	6,517,261	
SUPPLEMENTAL	8,890,426	

PRICE: $1.90 PER POUND 1/

GOALS NOW TO JUNE 30:	QUANTITY-POUNDS	VALUE
FORMER	0	0
REVISED	3,000,000	$3,000,000

REMARKS:

CURRENTLY AUTHORIZED TO SELL ONLY LOWER GRADE MATERIAL IN DPA INVENTORY. TO ATTAIN REVISED GOAL NEED CONGRESSIONAL AUTHORITY TO DISPOSE OF BETTER GRADES, AND A CHANGE IN STATE DEPARTMENT CONCERN ABOUT INDIA, THE MAJOR U.S. SUPPLIER.

1/ THIS PRICE APPLIES TO ALL FORMS AND GRADES OF MICA IN THE INVENTORY, INCLUDING HIGH QUALITIES APPLIED AGAINST STOCKPILE OBJECTIVE. QUALITIES WHICH WOULD BE SOLD UNDER REVISED GOAL CONSIST PRIMARILY OF THE GRADES WHICH CARRY THE LOWER SALES VALUE OF $1.00 PER POUND.

NUMBER 12 - MOLYBDENUM

INVENTORY POSITION:	QUANTITY (POUNDS)	VALUE
TOTAL	69,034,253	$107,000,000
EXCESS	1,034,253	16,000,000
SCM	69,034,253	

PRICE: $1.55 PER POUND.

GOALS NOW TO JUNE 30:	QUANTITY (POUNDS)	VALUE
FORMER	0	0
REVISED	10,000,000	$15,500,000

REMARKS:

ONLY NOMINAL EXCESS IN STOCKPILE INVENTORY, BUT MOLYBDENUM IS IN VERY SHORT SUPPLY. GOAL IS ESTIMATE OF WHAT WE BELIEVE IS NEEDED BY INDUSTRY. COULD BE SUBJECT FOR PRESIDENTIAL RELEASE.

NUMBER 13 - NICKEL

INVENTORY POSITION:	QUANTITY (LBS.)	VALUE
TOTAL	405,000,000	$299,700,000
EXCESS	305,000,000	255,700,000
DPA	74,000,000	
SCM	331,000,000	

PRICE: 74 CENTS PER LB.

GOALS NOW TO JUNE 30:	QUANTITY (LBS.)	VALUE
FORMER	17,000,000	$12,500,000
REVISED	30,000,000	22,000,000

REMARKS:

NOW HAVE AUTHORITY FOR 280,000,000 LBS. -- PRESENT SALE PROGRAM INVOLVES PRODUCER CONTRACTS AND COMPETITIVE SALES -- REVISED GOAL REPRESENTS WHAT WE BELIEVE MARKET WILL ABSORB.

NUMBER 14 - PLATINUM

INVENTORY POSITION:	QUANTITY (TROZ)	VALUE
TOTAL	766,304	$95,788,000
EXCESS	316,304	39,538,000
SCM	716,305	
SUPPLEMENTAL	49,999	

PRICE: $125 PER TROZ.

GOALS NOW TO JUNE 30:	QUANTITY(TROZ)	VALUE
FORMER	0	0
REVISED	300,000	$37,500,000

REMARKS:

NO PRESENT AUTHORIZATION TO SELL. ATTAINMENT OF REVISED GOAL WOULD REQUIRE CONGRESSIONAL ACTION OR PRESIDENTIAL RELEASE UNDER SECTION 5 OF STOCK PILING ACT. MATERIAL NEEDED BY INDUSTRY, BUT SUPPLIES ARE VERY TIGHT WITH RUSSIA THE ONLY SUPPLIER WITH ANYTHING TO SELL. WOULD BE A LIKELY CANDIDATE FOR A PRESIDENTIAL RELEASE.

NUMBER 15 - RUBBER

INVENTORY POSITION:	QUANTITY-LONG TONS	VALUE
TOTAL	740,000	$407,000,000
EXCESS	610,000	335,500,000
SCM	740,000	

PRICE: $550 PER LONG TON

GOALS NOW TO JUNE 30:	QUANTITY-LONG TONS	VALUE
FORMER	70,000	$38,500,000
REVISED	102,000	56,100,000

REMARKS:

NOW SELLING 10,000 PER MONTH (6,000 COMMERCIAL AND 4,000 GOVERNMENT). COULD DOUBLE COMMERCIAL SALES RAISING TOTAL PER MONTH TO 16,000 IF STATE DEPARTMENT WOULD CHANGE POSITION CONCERNING IMPACT ON MALAYSIA AND OTHER RUBBER PRODUCING COUNTRIES.

NUMBER 16 - TIN

INVENTORY POSITION:	QUANTITY-LONG TONS	VALUE
TOTAL	285,375	$1,084,425,000
EXCESS	85,375	324,425,000
SCM	277,870	
SUPPLEMENTAL	7,505	

PRICE: $3,800 PER LONG TON

GOALS NOW TO JUNE 30:	QUANTITY -LONG TONS	VALUE
FORMER	15,000	$57,000,000
REVISED	15,000	57,000,000

REMARKS:

CURRENTLY AUTHORIZED TO SELL THE ENTIRE EXCESS. NOW SELLING ON A DAILY BASIS AT THE MAXIMUM THE MARKET WILL BEAR. DO NOT BELIEVE THE FORMER GOAL CAN BE INCREASED.

NUMBER 17 - TITANIUM SPONGE

INVENTORY POSITION:	QUANTITY-SHORT TONS	VALUE
TOTAL	31,360	$78,918,000
EXCESS	10,860	25,412,000
DPA	22,339	
SUPPLEMENTAL	9,021	

PRICE: $2,500 PER SHORT TON

GOALS NOW TO JUNE 30:	QUANTITY-SHORT TONS	VALUE
FORMER	0	0
REVISED	1,000	$2,500,000

REMARKS:

NO CONGRESSIONAL AUTHORIZATION NEEDED TO SELL, OEP CAN AUTHORIZE. COMMERCE DEPARTMENT CONCERNED ABOUT DOMESTIC PRODUCERS.

NUMBER 18 - TUNGSTEN

INVENTORY POSITION:	QUANTITY (POUNDS)	VALUE
TOTAL	202,877,589	$470,949,000
EXCESS	158,877,589	368,596,000
SCM	120,044,661	
DPA	77,027,502	
SUPPLEMENTAL	5,805,426	

PRICE: $2.32 PER POUND 1/

GOALS NOW TO JUNE 30:	QUANTITY (POUNDS)	VALUE
FORMER	1,000,000	$1,800,000
REVISED	3,000,000	5,400,000

REMARKS:

CURRENTLY AUTHORIZED TO SELL THE ENTIRE QUANTITY IN THE DPA INVENTORY, BUT THE STATE DEPARTMENT UP TO NOW HAS INSISTED UPON A LIMITATION OF 1,000,000 POUNDS PER YEAR BECAUSE OF CONCERN FOR SOUTH KOREA, BOLIVIA, AND OTHER FOREIGN SUPPLIERS. THE MARKET COULD READILY TAKE THE REVISED GOAL QUANTITY WITHOUT DIFFICULTY.

1/ THIS PRICE APPLIES TO ALL FORMS OF TUNGSTEN IN THE INVENTORY, INCLUDING UPGRADED FORMS. QUANTITY TO BE SOLD UNDER REVISED GOAL CONSISTS PRIMARILY OF ORES AND CONCENTRATES WHICH CARRY LOWER VALUE OF $1.80 PER POUND.

NUMBER 19 - VANADIUM

INVENTORY POSITION:	QUANTITY (SHORT TONS)	VALUE
TOTAL	7,865	$19,662,500
EXCESS	6,465	16,162,500
SCM	6,465	

PRICE: $2,500 PER SHORT TON.

GOALS NOW TO JUNE 30:	QUANTITY (SHORT TONS)	VALUE
FORMER	2,000	$5,000,000
REVISED	4,000	10,000,000

REMARKS:

CURRENTLY SELLING AEC EXCESSES. NO AUTHORITY TO SELL STOCKPILE MATERIAL. CONGRESSIONAL AUTHORITY NEEDED TO ATTAIN REVISED GOAL. PROGRAM WOULD BE OPPOSED BY DOMESTIC PRODUCERS.

NUMBER 20 - ZINC

INVENTORY POSITION:	QUANTITY (SHORT TONS)	VALUE
TOTAL INVENTORY	1,330,000	$399,000,000
TOTAL EXCESS	1,330,000	399,000,000
SCM	1,040,921	
SUPPLEMENTAL	289,079	

PRICE: $300 PER SHORT TON.

GOALS NOW TO JUNE 30:	QUANTITY (SHORT TONS)	VALUE
FORMER	200,000	$60,000,000
REVISED	200,000	60,000,000

REMARKS:

WE NOW HAVE AUTHORITY ON QUANTITIES ADEQUATE TO MEET THE GOAL. HOWEVER, THE IMPACT OF RECENT ACTION LIFTING IMPORT QUOTAS IS NOT YET MEASURABLE--COULD MEAN MARKET MIGHT NOT TAKE 200,000 TONS BY JUNE 30, 1966.

UNQUOTE

UNCLASSIFIED

DTG: 250317Z NOV 1965

INVENTORY POSITION:	QUANTITY (SHORT TONS)	VALUE
TOTAL	7,865	$19,662,500
EXCESS	6,465	15,162,500
SCM	6,465	

PRICE: $2,500 PER SHORT TON.

GOALS NOW TO JUNE 30:	QUANTITY (SHORT TONS)	VALUE
FORMER	2,000	$5,000,000
REVISED	4,000	10,000,000

REMARKS:

CURRENTLY SELLING AEC EXCESSES. NO AUTHORITY TO SELL STOCKPILE MATERIAL. CONGRESSIONAL AUTHORITY NEEDED TO ATTAIN REVISED GOAL. PROGRAM WOULD BE OPPOSED BY DOMESTIC PRODUCERS.

NUMBER 20 - ZINC

INVENTORY POSITION:	QUANTITY (SHORT TONS)	VALUE
TOTAL INVENTORY	1,330,000	$399,000,000
TOTAL EXCESS	1,330,000	399,000,000
SCM	1,040,921	
SUPPLEMENTAL	289,079	

PRICE: $300 PER SHORT TON.

GOALS NOW TO JUNE 30:	QUANTITY (SHORT TONS)	VALUE
FORMER	200,000	$60,000,000
REVISED	200,000	60,000,000

REMARKS:

WE NOW HAVE AUTHORITY ON QUANTITIES ADEQUATE TO MEET THE GOAL. HOWEVER, THE IMPACT OF RECENT ACTION LIFTING IMPORT QUOTAS IS NOT YET MEASURABLE--COULD MEAN MARKET MIGHT NOT TAKE 200,000 TONS BY JUNE 30, 1966.

UNQUOTE

DTG: 250317Z NOV 1965

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1965 NOV 25 03 17

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THE WHITE HOUSE

OUTGOING MESSAGE

WHASA

Priority
PRECEDENCE

Uncl
CLASSIFICATION

24No65
DATE

FROM: Joe Califano

TO: The President

INFO:

CITE: WH 50496

SENT
WHCA

1965 NOV 25 07 25

PAGE ____ OF ____

WHASA FORM 12
1 JAN 61

MEMORANDUM

THE WHITE HOUSE

WASHINGTON

November 24, 1965

VIA WIRE

FOR THE PRESIDENT

FROM Joe Califano

There follows the text of memorandum from Lawson Knott on the stockpile and detailed information on the tope 20 commodities.

Quote ... . UnQuote - see attached

UNITED STATES GOVERNMENT

GENERAL SERVICES ADMINISTRATION

Memorandum

TO : The President

Date: NOV 24 1965

FROM : The Administrator

In reply refer to:

SUBJECT:

Quote

The stockpiles of strategic and critical materials now consists of 86 commodities with a current market value of approximately $7,760,000,000. The inventories contain quantities of 68 commodities which are excess to established emergency needs. The total value of such excesses is just over $4 billion.

Disposals of stockpile materials carried in the strategic and critical materials inventory (SCM) may be made only after legislative authority has been granted or until released by presidential action as in the case of copper. Material may be disposed of from the Defense Production Act inventory (DPA) by executive action without legislative authority or special presidential release.

We have reviewed the 20 commodities which constitute 80 percent of the total stockpile value. A brief analysis of each of these commodities is outlined below.

Each commodity analysis includes estimates as to the amount of such material that we believe can be sold between now and June 30, 1966. The figure shown as the <u>former</u> goal is the amount we had expected to sell during this period based on earlier market conditions, and in anticipation of problems in obtaining necessary disposal authorizations. The figure shown as the <u>revised</u> goal (November 24, 1965) represents our best judgement as to the amounts which can be sold in the market between now and June 30, 1966, without unduly disrupting the market, taking into account such basic considerations as price stability, employment, industrial growth, foreign trade relations, etc. The revised goals assume no problems in obtaining disposal authorization where required.

On the basis of the revised goals, it now appears that <u>total</u> disposals between now and June 30, 1966, will produce revenues of approximately

$486,650,000, which together with sales commitments during the period July 1 to date of $250 million, will result in a sales commitment for the entire 1966 fiscal year of $800 million. Projecting our potential sales on the same assumption to cover the second half of calendar year 1966, we anticipate a program for the entire 1966 calendar year, which will be at or near the $1 billion figure.

Lawson B. Knott, Jr.

Lawson B. Knott, Jr.

Number 1 ALUMINUM

Inventory position:

		Quantity (Short Tons)	Value
Total		1,898,199	$911,000,000
Excess		1,448,199	695,100,000
	DPA	769,499	
	SCM	1,128,700	

Price: $480 per ton.

Goals now to June 30:

	Quantity (Short Tons)	Value
Former	50,000	$ 24,000,000
Revised	100,000	48,000,000

Remarks:

Agreement has been reached with industry to take all excesses (1.4 million tons). Now have authority for DPA portion (769,499 tons), will need additional authority through legislation for SCM portion (678,700 tons).

Number 2 BAUXITE, METAL GRADE, JAMAICA and SURINAM TYPES

Inventory position:

	Quantity-long dry tons	Value
Total	16,665,869	$ 200,000,000
Excess	6,365,869	76,400,000
DPA	1,370,077	
SCM	5,842,446	
Supplemental	9,453,346	

Price: $12 per long dry ton

Goals now to June 30:

	Quantity-long dry tons	Value
Former	200,000	$ 2,400,000
Revised	400,000	4,800,000

Remarks:

Now free to sell only 200,000 long dry tons. Meeting revised goal will depend on congressional authorization and revised State Department position because of concern re Jamaica economy.

Number 3

CHROMITE - METALLURGICAL

Inventory Position:

	Quantity Short Dry Tons	Value
Total	6,341,666	$324,610,540
Excess	3,371,666	179,153,940
DPA	985,646	
SCM	3,755,878	
Supplemental	1,600,142	

Price: $51.20 per short dry ton 1/

Goals now to June 30:

	Quantity Short Dry Tons	Value
Former	0	0
Revised	100,000	$ 2,000,000

Remarks:

Currently authorized to sell only DPA material which is low grade. Would need congressional authorization to attain goal and achieve estimated sales value of revised goal through inclusion of higher grade material. Market could not take more than 200,000 tons per year.

1/ This price applies to all forms of chrome in the inventory, including upgraded forms. Quantity to be sold under revised goal consists primarily of ore which carries the lower sales value of $20.00 per short dry ton indicated for revised goal.

Number 4 COBALT

Inventory Position:

	Quantity - pounds	Value
Total	102,200,817	$168,631,413
Excess	60,200,817	99,331,413
SCM	76,068,768	
DPA	25,066,651	
Supplemental	1,065,398	

Price: $1.65 per pound

Goals now to June 30:

	Quantity - pounds	Value
Former	0	0
Revised	1,000,000	$ 1,650,000

Remarks:

No congressional authority needed on DPA material, but authority to sell being withheld because of State Department concern with Congo. Revised goal represents maximum market would take.

Number 5 COLUMBIUM

Inventory position:

		Quantity (lbs.)	Value
Total		15,801,388	$ 23,700,000
Excess		14,625,388	21,938,000
	DPA	8,030,905	
	SCM	7,398,948	
	Supplemental	371,535	

Price: $1.50 per lb.

Goals now to June 30:

	Quantity (lbs.)	Value
Former	200,000	$ 300,000
Revised	600,000	900,000

Remarks:

Market can take the quantities included in revised goal--supplies growing tighter--Attainment of revised goal will require change in position of Department of State that quantity be limited to 200,000 pounds because of anticipated problems with Nigeria.

Number 6 COPPER

Inventory Position:

		Quantity (Short Tons)	Value
Total		809,088	$582,500,000
Excess		34,088	24,500,000
	SCM	796,706	
	Supplemental	12,382	

Price: $720 per short ton.

Goals now to June 30:

	Quantity (Short Tons)	Value
Former	200,000	$144,000,000
Revised	400,000	288,000,000

Remarks:

Present goal covers the 200,000 short tons represented by the Presidential release of November 18, but we believe that the market can absorb substantially more copper, and it is recommended that the situation be reviewed after the present release is completed.

Number 7

INDUSTRIAL DIAMONDS - CRUSHING BORT

Inventory Position:

	Quantity - carats	Value
Total	36,712,706	$82,604,000
Excess	12,012,706	27,029,000
SCM	31,162,127	
Supplemental	5,550,579	

Price: $2.25 per carat

Goals now to June 30:

	Quantity - carats	Value
Former	0	0
Revised	2,000,000	$ 4,500,000

Remarks:

Attainment of revised goal requires congressional authorization and change in State Department concern about the Congo.

Number 8 INDUSTRIAL DIAMONDS - STONES

Inventory Position:

	Quantity - carats	Value
Total	24,698,775	$332,039,000
Excess	8,198,775	104,894,300
SCM	9,268,736	124,628,800
Supplemental	15,430,039	197,410,200

Price: $9.00 per carat

Goals now to June 30:

	Quantity - carats	Value
Former	0	0
Revised	500,000	$ 4,500,000

Remarks:

Attainment of the revised goal requires congressional authorization and change in State Department concern about South Africa, Ghana, and Sierra Leone.

Number 9 LEAD

Inventory position:

		Quantity (Short Tons)	Value
Total		1,296,107	$414,800,000
Excess		1,296,107	414,800,000
	SCM	988,222	
	Supplemental	307,885	

Price: $320 per short ton.

Goals now to June 30:

	Quantity (Short Tons)	Value
Former	25,000	$ 8,000,000
Revised	25,000	8,000,000

Remarks:

Now have authority to dispose of 90,000 short tons to industry and 49,021 short tons for direct Government use, but market cannot absorb more than 25,000 short tons by June 30.

Number 10 MANGANESE-METALLURGICAL

Inventory position:

		Quantity (Short Dry Tons)	Value
Total		12,932,122	$483,913,200
Excess		5,032,122	117,385,400
	SCM	5,852,191	
	Supplemental	4,099,674	
	DPA	2,980,257	

Price: $37.42 per short dry ton 1/

Goals now to June 30:

	Quantity (Short Dry Tons)	Value
Former	-0-	-0-
Revised	100,000	$ 3,300,000

Remarks:

Now have authority to sell only low-grade DPA ores. Need OEP authority to sell higher grade ores in DPA inventory.

1/ This price includes market value for all manganese, including upgraded forms. Value for revised goal reflects sales of ore at lower unit value of approximately $33 per short dry ton.

Number 11

MICA

Inventory Position:

	Quantity - pounds	Value
Total	71,870,404	$137,400,000
Excess	40,353,404	77,100,000
SCM	56,462,797	
DPA	6,517,261	
Supplemental	8,890,426	

Price: $1.90 per pound 1/

Goals now to June 30:

	Quantity - pounds	Value
Former	0	0
Revised	3,000,000	$ 3,000,000

Remarks:

Currently authorized to sell only lower grade material in DPA inventory. To attain revised goal need congressional authority to dispose of better grades, and a change in State Department concern about India, the major U.S. supplier.

1/ This price applies to all forms and grades of mica in the inventory, including high qualities applied against stockpile objective. Qualities which would be sold under revised goal consist primarily of the grades which carry the lower sales value of $1.00 per pound.

Number 12 MOLYBDENUM

Inventory Position:

	Quantity (Pounds)	Value
Total	69,034,253	$107,000,000
Excess	1,034,253	16,000,000
SCM	69,034,253	

Price: $1.55 per pound.

Goals now to June 30:

	Quantity (Pounds)	Value
Former	- 0 -	$ - 0 -
Revised	10,000,000	15,500,000

Remarks:

Only nominal excess in stockpile inventory, but molybdenum is in very short supply. Goal is estimate of what we believe is needed by industry. Could be subject for Presidential release.

Number-13 NICKEL

Inventory position:

		Quantity (lbs.)	Value
Total		405,000,000	$299,700,000
Excess		305,000,000	225,700,000
	DPA	74,000,000	
	SCM	331,000,000	

Price: 74¢ per lb.

Goals now to June 30:

	Quantity (lbs.)	Value
Former	17,000,000	$ 12,500,000
Revised	30,000,000	22,000,000

Remarks:

Now have authority for 280,000,000 lbs.--present sale program involves producer contracts and competitive sales--Revised goal represents what we believe market will absorb.

Number 14 PLATINUM

Inventory position:

		Quantity (TrOz)	Value
Total		766,304	$ 95,788,000
Excess		316,304	39,538,000
	SCM	716,305	
	Supplemental	49,999	

Price: $125 per TrOz.

Goals now to June 30:

	Quantity (TrOz)	Value
Former	-0-	-0-
Revised	300,000	$ 37,500,000

Remarks:

No present authorization to sell. Attainment of revised goal would require congressional action or Presidential release under Section 5 of Stock Piling Act. Material needed by industry, but supplies are very tight with Russia the only supplier with anything to sell. Would be a likely candidate for a Presidential release.

Number 15 RUBBER

Inventory Position:

	Quantity Long Tons	Value
Total	740,000	$407,000,000
Excess	610,000	335,500,000
SCM	740,000	

Price: $550 per long ton

Goals now to June 30:

	Quantity Long Tons	Value
Former	70,000	$ 38,500,000
Revised	102,000	56,100,000

Remarks:

Now selling 10,000 per month (6,000 commercial and 4,000 Government). Could double commercial sales raising total per month to 16,000 if State Department would change position concerning impact on Malaysia and other rubber producing countries.

Number 16 TIN

Inventory Position:

	Quantity Long Tons	Value
Total	285,375	$1,084,425,000
Excess	85,375	324,425,000
SCM	277,870	
Supplemental	7,505	

Price: $3,800 per long ton

Goals now to June 30:

	Quantity Long Tons	Value
Former	15,000	$ 57,000,000
Revised	15,000	57,000,000

Remarks:

Currently authorized to sell the entire excess. Now selling on a daily basis at the maximum the market will bear. Do not believe the former goal can be increased.

Number 17 TITANIUM SPONGE

Inventory Position:

	Quantity Short Tons	Value
Total	31,360	$78,918,000
Excess	10,860	25,412,000
DPA	22,339	
Supplemental	9,021	

Price: $2,500 per short ton

Goals now to June 30:

	Quantity Short Tons	Value
Former	0	0
Revised	1,000	$ 2,500,000

Remarks:

No congressional authorization needed to sell, OEP can authorize. Commerce Department concerned about domestic producers.

Number 18 TUNGSTEN

Inventory position:

		Quantity (Pounds)	Value
Total		202,877,589	$470,949,000
Excess		158,877,589	368,596,000
	SCM	120,044,661	
	DPA	77,027,502	
	Supplemental	5,805,426	

Price: $2.32 per pound 1/

Goals now to June 30:

	Quantity (Pounds)	Value
Former	1,000,000	$ 1,800,000
Revised	3,000,000	5,400,000

Remarks:

Currently authorized to sell the entire quantity in the DPA inventory, but the State Department up to now has insisted upon a limitation of 1,000,000 pounds per year because of concern for South Korea, Bolivia, and other foreign suppliers. The market could readily take the revised goal quantity without difficulty.

1/ This price applies to all forms of tungsten in the inventory, including upgraded forms. Quantity to be sold under revised goal consists primarily of ores and concentrates which carry lower value of $1.80 per pound.

Number 19 VANADIUM

Inventory position:

	Quantity (Short Tons)	Value
Total	7,865	$19,662,500
Excess	6,465	16,162,500
SCM	6,465	

Price: $2,500 per short ton.

Goals now to June 30:

	Quantity (Short Tons)	Value
Former	2,000	$ 5,000,000
Revised	4,000	10,000,000

Remarks:

Currently selling AEC excesses. No authority to sell stockpile material. Congressional authority needed to attain revised goal. Program would be opposed by domestic producers.

Number 20 ZINC

Inventory position:

		Quantity (Short Tons)	Value
Total inventory		1,330,000	$399,000,000
Total excess		1,330,000	399,000,000
	SCM	1,040,921	
	Supplemental	289,079	

Price: $300 per short ton.

Goals now to June 30:

	Quantity (Short Tons)	Value
Former	200,000	$ 60,000,000
Revised	200,000	60,000,000

Remarks:

We now have authority on quantities adequate to meet the goal. However, the impact of recent action lifting import quotas is not yet measurable--could mean market might not take 200,000 tons by June 30, 1966.

Urgent

EXECUTIVE

CM/Rubber
BE4/Rubber
PQ 2
ND4-3
CO312
BE5

(5)

EEA224
PP WTE10
DE WTE 412

Received
11:54 PM ~~Wednesday 24 November 1965~~

FROM: JOE CALIFANO
TO : THE PRESIDENT
CITE: WH50496

UNCLASSIFIED

MEMORANDUM

THE WHITE HOUSE
WASHINGTON DC

NOVEMBER 24, 1965

VIA WIRE
FOR THE PRESIDENT
FROM JOE CALIFANO

THE SITUATION IN RUBBER IS AS FOLLOWS. GSA IS NOW SELLING 10,000 TONS PER MONTH (6,000 COMMERCIAL AND 4,000 GOVERNMENT). LAWSON BELIEVES COMMERCIAL SALES COULD BE DOUBLED TO 12,000 PER MONTH, BUT THERE APPEARS TO BE LITTLE OR NO AREA FOR AN INCREASE IN THE 4,000 TON GOVERNMENT PROCUREMENT FROM STOCKPILE.

GEORGE BALL IS EXTREMELY CONCERNED ABOUT QUADRUPLING RUBBER RELEASES FROM THE STOCKPILE, BUT IS LESS CONCERNED THAN I THOUGHT HE WOULD BE TO INCREASE THEM, EVEN TO THE EXTENT OF DOUBLING THEM. THE MAIN PROBLEMS WOULD BE WITH MALAYSIA AND INDONESIA. THERE WOULD BE LESSER PROBLEMS WITH THAILAND AND VIET NAM. BALL BELIEVES THE EXTENT TO WHICH INCREASED RELEASES OF RUBBER FROM THE STOCKPILE CAN BE TIED TO VIET NAM EASES THE FOREIGN POLICY PROBLEM. AS OF TONIGHT, DEFENSE ASSISTANT SECRETARY (INSTALLATIONS AND LOGISTICS) PAUL IGNATIUS SAYS THERE IS NO INCREASE IN RUBBER PROCUREMENT RELATED TO VIET NAM. I WILL TALK TO VANCE, HOWEVER, AND SEE IF WE CANNOT FIND SOME DEFENSE PEG FOR THIS. IN ANY CASE, MY INSTINCTIVE FEELING IS THAT WE SHOULD DOUBLE OUR COMMERCIAL SALES IF IT CAN BE WORKED OUT AMICABLY WITH THE U. S. RUBBER INDUSTRY (KNOTT THINKS IT CAN). EVEN THOUGH WE DO NOT HAVE A PRECISE DEFENSE PEG IN TERMS OF INCREASED REQUIREMENTS, WE CAN COMBINE SOME INCREASE IN DEFENSE WITH PRESSURE ON OUR DOMESTIC ECONOMY AND STATE COULD SELL INCREASED RUBBER SALES WITHOUT TOO MUCH TROUBLE. WE CAN DISCUSS IN MORE DETAIL ON FRIDAY.

DTG: 250429Z NOV 1965

Nothing else sent to
Central Files as of 12/29/65

Aluminum

EXECUTIVE
ND 4-3
CM/Aluminum

November 16, 1965

FOR: The President

FROM: Joe Califano

Attached is a chronology of the highlights of the aluminum stockpile situation. It reflects the major meetings and discussions over the past year but does not record the literally hundreds of informal calls and contacts.

You and I, for example, discussed stockpiles in more than 25 separate telephone conversations. Between the first and the ninth of November, Fowler, McNamara, Connor, Katzenbach, Knott, Ellington and I met eight times in the Cabinet Room. McNamara and I had numerous separate discussions. McNamara himself held a number of separate discussions with the aluminum industry, many more than the two or three he mentions in his November 10, 1965 press conference (a copy of which is enclosed for your convenience).

Fowler had a series of discussions with aluminum executives on balance of payments and Knott and Ellington were in almost daily contact with industry representatives for the last several months.

January 18, 1965

GSA meets with Alcoa, Reynolds, Kaiser, Olin Mathison, and other aluminum companies to review the progress of 135,000 ton disposal program initiated in May, 1963 and to agree on a sale of the remaining unsold balance -- some 35,000 tons -- to take place in March, 1965.

April 5, 1965

Governor Buford Ellington, OEP Director, discusses the aluminum stockpile situation with representatives of Harvey Aluminum.

April 7, 1965

Governor Buford Ellington, OEP Director, meets with Kaiser Aluminum officials to discuss stockpile.

April 30, 1965

Governor Ellington meets with officials of Reynolds Aluminum to discuss surplus stockpiles.

May 10, 1965

With the 135,000 tons of aluminum now disposed of, Commerce, GSA, and other government officials meet with 19 different aluminum firms to explore means of selling the remaining 1.4 million tons of surplus aluminum from the stockpile. The companies are interested only if a 20 year disposal period is involved but show some interest in buying 500,000 tons over a six year period if all the aluminum producers participate.

July 7, 1965

OEP, GSA, and other government agencies meet with Alcoa, Anaconda, Consolidated aluminum, Harvey, Kaiser, Olin Mathison, Reynolds, and Revere, with a plan to sell 1.4 million tons of surplus aluminum over a 10-15 year period. Industry feels that there is no need to place the surplus metal on the market, that 20 years is the best period for disposing of the stockpile, that the government must refrain from making any sales during this period and that the companies must retain complete freedom to determine the years in which they would buy the aluminum.

August 3, 1965

Go vernor Ellington, Director of OEP, meets with officials of Reynolds todiscuss aluminum stockpile sales.

August 6, 1965

Governor Ellington meets with officials of Kaiser aluminum to discuss stockpile sales.

August 9, 1965

Governor Ellington meets with Alcoa officials to discuss stockpile sales.

August 26, 1965

The President directs Califano to begin immediately to galvanize the government to increase stockpile sales. Califano calls Ellington, Staats, Knott for information and to pass along the President's instructions.

August 27, 1965

Deputy Budget Director Staats, in response to previous Presidential order urging accelerated sales from thestockpile, tells the President that the government will begin a concerted effort to increase stockpile sales in the coming months. Staats recommends a September 7 meeting. The President approves September 2 meeting to get momentum.

September 2, 1965

Califano meets with Schultze, Staats, Knott, Ellington, Solomon, Justice and other government officials to work out ways to accelerate disposal of excess stockpiles. It was decided to put initial emphasis on aluminum with a 1966 goal in excess of 200,000 tons.

September 6-10, 1965

GSA officials meet throughout the week with the big three producers (Alcoa, Kaiser, Reynolds) to explore the companies' willingness to buy all of the surplus aluminum in the stockpiles. The companies again say that any sale must be stretched out over a period of 20 years.

September 16, 1965

Califano meets with key government officials (Knott, Ellington, and others) to discuss ways of accelerating stockpile disposals and review aluminum situation.

September 23, 1965

GSA and other government agency officials meet with senior officials of Alcoa, Kaiser, Reynolds, Harvey, Olin Mathison, Aluminum Limited, and other producers. The government again offers to sell 1.4 million tons of surplus aluminum over five years on a combination cash-credit basis (N.B. over 250,000 tons per year). The companies balk.

September 27, 1965

Califano meets with Knott, Ellington, and other top government officials to discuss steps to speed up sales of surplus stockpile materials.

GSA invites the aluminum industry to meet again. Only Alcoa, Kaiser, Reynolds, Harvey, and Aluminum Limited respond. Other producers either fail to show up, or say they were not interested in pursuing a long range disposal program. The big three indicate they might buy 700,000 tons over 10 years or 450,000 tons over 6 years subject to a number of conditions:
(a) the purchasers would have complete discretion as to the amounts they would buy in any one year
(b) sales must take place at the producers' published prices and
(c) purchasers could terminate their contracts if the government sold additional quantities to others. These terms are unsatisfactory to the government.

October 7, 1965

Governor Ellington, OEP Director, meets with officials of Kaiser Aluminum to discuss stockpile sales.

October 25, 1965

GSA contacts the industry by phone and announces plans to release 100,000 tons of aluminum surplus from the stockpile for competitive bidding. Reynolds is opposed, Kaiser asks that the 100,000 tons not be released but that efforts be made to reassemble the producers to talk about long range plans for selling the aluminum surplus, and Alcoa expresses a favorable reaction.

October 30, 1965

The President calls Califano and tells him to speed up aluminum stockpile sales. Califano consults by phone with McNamara, and Fowler, and personally with Schultze and Eckstein.

October 31, 1965

The President and Califano discuss aluminum stockpile. The President directs Califano to convene a meeting with McNamara, Fowler, Connor, OEP, and GSA on Monday morning, November 1.

November 1, 1965

A Cabinet-level meeting is held with McNamara, Fowler, Connor, Knott, Dryden, Vance and Califano to discuss various alternatives to speed up the disposal of surplus aluminum in the years immediately ahead. After the meeting a statement is released which reflects the substance of the meeting. The two key elements cited are the increasing tide of aluminum imports which are adversely affecting our balance of payments and expanded defense needs for aluminum.

November 3, 1965

GSA holds a meeting in the morning with Harvey Aluminum on defense requirements for aluminum including explosives and landing mats. The concept of aluminum companies buying the stockpiled aluminum is also discussed.

Meetings continue that afternoon with GSA, (Knott and Moody), DOD (Ignatius), OEP and industry (Kaiser, Alcoa, Reynolds, Olin-Mathison) to dispose of aluminum surplus in the stockpiles. GSA Administrator Knott who conducts the negotiations says that this meeting is part of a continuing series of meetings and efforts by the government to speed up sales of surplus aluminum. The government negotiators state that the balance of payments position and increased VietNam needs make it important than ever to accelerate disposals from the stockpile. An offer is made to industry to sell 200,000 tons of surplus stockpiled aluminum. Industry refuses. The meeting breaks up without any agreement being reached.

<u>November 4, 1965</u>

Further discussions continue on the government's proposal, to dispose of surplus aluminum from the stockpile. Again, no agreement is reached.

<u>November 5, 1965</u> (Friday morning)

The government makes two offers to the aluminum companies:

(1) To sell 200,000 tons in the next twelve months or

(2) To sell 1.4 million tons over the next five-seven years. After considerable discussion, the industry position remains essentially unchanged, still insisting that 100,000 tons a year is all that they can buy.

<u>November 5, 1965</u> (Friday afternoon, evening, and night)

The government negotiators state that this session is called to make a further effort to sell 200,000 tons in 1966. The government also presents a series of additional alternatives, none of which were accepted by the companies. the companies instead propose a complex system under which they would buy from the stockpile only half the aluminum used in defense production, with a guarantee of not less than 100,000 tons annually. The industry also proposes a complex system of certificates relating to each contractor and subcontractor, but which would not be fully effective in 1966. The government then says that it would accept the industry proposal if the companies agreed to guarantee the purchase of 200,000 tons from the stockpile in 1966. The aluminum companies say "no." The government then asks for suggestions on how it should sell unilaterally 200,000 tons of surplus aluminum in 1966. The companies refuse to discuss this.

Mr. Hickman then states that the government is taking an unreasonable position, that the meeting might as well adjourn, and that he would inform the press of what had taken place. He stands up as he says this and there is considerable emotion in his voice. The government proposes further discussions and a meeting next morning. Mr. Hickman says that he cannot meet the following morning because of a long-standing speaking engagement in Nebraska. He does not leave the room, however. The industry members said that it would be useless to have a meeting without Alcoa and that Mr. Hickman should represent Alcoa. In light of these statements, Assistant Secy of Defense, Paul Ignatius, one of the negotiators, meets separately with Mr. Hickman. Mr. Hickman agrees to meet on Saturday morning, provided the meeting adjourns at 11:00 am so that he can fulfill his speaking engagement. During this discussion, Mr. Hickman expresses his regret at losing his temper and says that he was tired after a long day of meetings. Other industry representatives are told Hickman can meet on Saturday, with the meeting to begin at 9:00 a.m.

The meeting on Friday adjourned at about 11:00 p.m.

<u>November 6, 1965</u> (Saturday) (10:15 a.m.)

The meetings continue with representatives of Alcoa, Kaiser, Reynolds and Olin-Mathison. The government reviews its position by stating that industry is operating at capacity, defense buying has increased materially, imports have doubled and that the industry should guarantee to purchase 200,000 tons of stockpile aluminum in 1966. Industry representatives were also informed that the adjournment was set at 11:00 am so that Mr. Hickman could keep his speaking engagement.

The companies then agreed to buy 200,000 tons in 1966 but upon three conditions:

(1) The entire aluminum industry had to agree and participate
(2) A long-range program had to be worked out for the disposal of 1.4 million tons
(3) In any plan the companies would retain discretion on how many tons they would buy in any one year.

Since these exceptions clearly alter the government's basic proposal the meeting adjourns without agreement at approximately 11:00 a.m. Mr. Hickman prepares to depart. He states that his associate, Mr. Learned (an Alcoa vice president) could participate, but only at an observer in any further discussions that might be held. Mr. Hickman says that he could be reached in Nebraska at 5:00 p.m.

The aluminum companies state that they would be willing to negotiate in the future but that they would be much more difficult to deal with.

November 6, 1965 -- Saturday press conference (1:45 pm)

McNamara, Fowler, and Ackley hold press conference at White House on aluminum. McNamara announces that the government has no recourse but to dispose of 200,000 tons of aluminum in 1966 to the Defense Department in view of the companies refusal to purchase the material. Fowler stresses the need to reduce the stockpile because of the increasing level of imports. Ackley says the price rises -- the fifth in 25 months -- have no justification under the wage-price guideposts and are therefore inflationary.

MEMORANDUM

THE WHITE HOUSE

WASHINGTON

EXECUTIVE

BE4/Aluminum

ND4-3-1

ND4-3

FG 115

FG 110

FG 135

FG 155

FG 11-6

FG r 40

November 16, 1965

FOR: THE PRESIDENT

FROM: Joe Califano

Attached is a chronology of the highlights on the aluminum stockpile situation. It reflects the major meetings and discussions over the past year but does not record the literally hundreds of informal calls and contacts.'

You and I, for example, discussed stockpiles in more than 25 separate telephone conversations. Between the 1st and the 9th of November, Fowler, McNamara, Connor, Katzenbach, Knott, Ellington and I met 8 times in the Cabinet Room. McNamara and I had numerous separate discussions. McNamara himself held a number of separate discussions with the aluminum industry, many more than the 2 or 3 he mentions in his November 10, 1965 press conference (a copy of which is enclosed for your convenience).

Fowler had a series of discussions with aluminum executives on balance of payments and Knott and Ellington were in almost daily contact with industry representatives for the last several months.

Enclosures

SUBSTITUTION TABLE 16 (2)

EXECUTIVE
ND4-3
FG
CM/Copper

cw/C ✓

AGENCIES REPORTING COPPER REQUIREMENTS
(Califano memo of Nov. 13, 1965)

	Quantity in pounds		Quantity for which substitutes could be used
DOD	218,342,000	109,171	Small fraction of 1%
CIA	100,000		0
TVA	3,500,000		150,000
Justice	84,000		20,000
USIA	810,000		110,000
NASA	3,000,000		300,000
Commerce	4,327,500		1,175,000
DHEW	51,400,000	25,700	25,700,000
Treasury	100,000,000*	50,000	0
Bu. Ptg. & Engr. Air Cond. Prog. 12,000; Coast Guard Ship Const. 150,000 — Rounded to	200,000		0
Fed. Reserve	30,000		0
GSA	23,940,000	11,000	3,600,000
Panama Canal	32,000		6,000
AEC	7,000,000		0
PO	1,000,000		500,000
Agri.	2,000		1,000
ICC	500		0
FCC	2,700		0
Nat'l. Science Foundation	1,060,000		16,000
VA	4,570,000		0
HHFA	10,000,000		0
State	100,000		70,000
Interior	3,151,000		568,000
DC	360,000		40,000
GPO	4,000		0
FAA	754,000		37,700
AID	84,110,000		0
Total	517,879,700 pounds		32,293,700 pounds
	258,672.5 tons		16,146.85 tons

*Stockpile copper - P.L. 89-251, approved Oct. 9, 1965 - 79 Stat. 972

EXECUTIVE
BE 4/Copper
BE 5-2
ND 4-3
CO 49
CO 328
NR 5

THE CHAIRMAN OF THE
COUNCIL OF ECONOMIC ADVISERS
WASHINGTON

November 8, 1965
FG 11-3

MEMORANDUM FOR THE PRESIDENT

Subject: The Copper Price Increase

1. Anaconda has now gone along with the 2¢ increase in the price of copper to 38¢ a pound. The increase started abroad when Chile and Zambia went up by 2¢. Some of the smaller American companies followed last week. Kennecott and Phelps-Dodge, the other two big producers, have not yet moved.

2. Copper has been in extremely short supply for several years, and the situation is getting no better. Although we are the world's largest producer, we depend on imports for roughly 1/3 of our supplies. Thus the world shortage affects us.

3. The shortage basically reflects rising world usage in the face of failure to discover new deposits as old ones are worked out. But it has been complicated by an endless series of production difficulties. Last year U.S. production was crippled by strikes. Chile has had repeated strikes. President Frei's program gives the promise of increased production in the future, but the Chilean miners are on strike again right now protesting Frei's law as not being tough enough on the companies. Troubles in the Congo have interrupted production there. Production in Zambia has been on and off this year and is in danger of a tie-up as a result of the Rhodesian independence movement. (Zambian copper is produced with Rhodesian power and moves out on a Rhodesian railroad.)

4. The major U.S. producers have tried to keep the domestic price down. Although their price has edged up from 31¢ to 36¢ in the last two years, it has stayed far below the price in the free "secondary" or "dealers" market, where the price is now about 60¢. The big producers have been rationing their customers, forcing many users to go into the secondary market for all or part of their needs.

Original not sent to files 12-13-65