

# Defense National Stockpile Center



ITIA

September 27-30, 2004  
Lisbon, Portugal

# Agenda

➔ **Inventory**

➔ **AMP**

➔ **Recent Sales**

➔ **Sales Methods**

➔ **Feasibility Study**



# ***Tungsten Inventory by Form (Lbs W)***

*As of August 31, 2004*

● <b>Ores &amp; Concentrates</b>	<b>62,732,118</b>
● <b>Metal</b>	
<b><i>Powder</i></b>	<b>854,220</b>
<b><i>Semi-fabricated</i></b>	<b>64,142</b>
● <b>Ferrotungsten</b>	<b>563,483</b>
<hr/>	
<b>Total</b>	<b>64,213,963</b>



# *Tungsten Inventory by location (Lbs W)*

<b>DEPOT</b>	<b>O&amp;C</b>	<b>Metal</b>	<b>Ferro</b>
Binghamton, NY	4,278,486	19,236	
Columbus, OH	953,133		
Hammond, IN	2,703,108	14,376	
Herlong, CA	19,247		
New Haven, IN	1,350,486	752,180	
Pt. Pleasant, WV	5,707,915	72,826	5,988
Scotia, NY	35,543,954		
Somerville, NJ	11,861,220	6,303	515,444
Warren, OH	314,569	53,441	42,051
<b>Totals</b>	<b>62,732,118</b>	<b>918,362</b>	<b>563,483</b>



# *Tungsten O&C Inventory*

## *by Type (Lbs. W)*

Ferberite	7,779,796
Hubnerite	5,730,692
Wolframite	20,197,875
Scheelite	11,058,388
Synthetic Scheelite	17,604,237
Misc. Conc.(sweeps, etc)	341,883
Ore	19,247
<b>Total</b>	<b>62,732,118</b>



# *Tungsten Metal Inventory (Lbs W)*

<b>Locations</b>	<b>Powder</b>	<b>Semi-fabricated</b>
Binghamton, NY	19,236	
Hammond, IN	14,376	
New Haven, IN	703,050	49,130
Point Pleasant, WV	64,117	8,709
Somerville, NJ		6,303
Warren, OH	53,441	
	854,220	64,142
	<b>Total</b>	<b>918,362</b>



# Semi-fabricated

- Bars
- Blanks
- Rods
- Sheets
- Hardcores





## Quality Overview

### Tungsten Ores & Concentrates

- Inventory tested by Alex Stewart Assayers FY99-03
- 100% of inventory has been analyzed
- Analytical data includes Th & U
- Test results published in solicitation

### Metal Powder & Ferro

- Inventory tested by Ledoux & Co. FY99-01
- 100% has been analyzed
- Test results published in solicitation



# Tungsten Annual Materials Plan (Lbs W)

	<u>FY04 AMP</u>	<u>FY05 AMP</u>
O&C	4,000,000	4,000,000 *
Metal Powder	300,000	300,000
Ferrotungsten	300,000	300,000

\*Increase to 5,000,000 pending MIC approval



# Recent Tungsten Sales

<u>Form</u>	<u>FY 03</u>	<u>FY04</u>
Ferro	310,731	0
Powder	66,787	0
O&C	3,011,856	687,473
<b>TOTAL Lbs W</b>	<b>3,389,374</b>	<b>687,473</b>

## Total Revenue

FY 03: \$8.4 Million

FY 04: \$2.0 Million \*

\*Sales suspended April 2004.

Resumption of sales dependent upon legislative authority.

# Why were Tungsten sales suspended?

- ➔ Money from DNSC commodity sales is assigned to fund specific Government programs. When a program limit is reached, sales of those commodities are suspended.
- ➔ The limit for the program Tungsten supports was reached in FY2004.
- ➔ Legislation to resume sales is currently pending enactment in the U.S. Congress.



# ***DNSC Sales Methods***

- ★ Strategic Supply Alliance
- ★ Negotiated
- ★ BOA - Basic Ordering Agreement

# With the SSA, the Stockpile is "open" 24/7

## *Strategic Supply Alliance*

- Shopping list always available on our web site
- Quotes may be submitted *ONLINE* anytime
- Award decision made within one business day
- DNSC performs continuous market research to determine appropriate market prices (not disclosed)
- Short removal period
- Quantity limited

# Getting started is as easy as 1-2-3...

**1.** **Qualify –**  
submit documentation  
sign agreement  
submit financial statements (to establish exposure limits)

**2.** **Log In -**  
register on the web site, get your secure password  
follow the on-line prompts to complete the process  
(call us if you have any trouble)

**3.** **Select your material**  
**Pay... Take Delivery**



## Negotiated

- ▶ Offers are not publicly opened
- ▶ Price and other factors are negotiable
- ▶ Only aggregate or provisional contract amounts and company name made public at conclusion of sale



# Advantages Negotiated Sales

- ➔ Custom designed terms complement various business needs
- ➔ Removal schedules conform with production/consumption requirements.
- ➔ Enables long range forecasting.
- ➔ Relative value of inventory known for budget purposes; formula for pricing material established in the contract.
- ➔ Material quantity/quality of choice set aside
- ➔ Eliminates need to store large amounts of material – just in time inventory
- ➔ Conforms with long term arrangements offered by commercial suppliers.

➔ *Convenient, reliable source of material internationally*



# Basic Ordering Agreement

## BOA

- Quotes not released to the public
- Some pre-negotiated terms
- Only registered companies may participate
- Interactive submittals accepted
- Only aggregate or provisional contract amounts and company name made public (on the 5<sup>th</sup> of the month following the sale)



# Advantages - BOA

- ➔ Flexible
- ➔ Responsive to the market
- ➔ Material offered frequently
- ➔ Fills a “Spot” need in the marketplace



- ➔ DNSC selects quantity and quality of material being offered.
- ➔ Pre-qualification and established negotiated special terms and conditions





# Tungsten Sales Strategy

## Ores & Concentrates

- ★ **Spot Sales: SSA – 24/7**
  - Quantity Dedicated: 1 million Lbs W
  - Limit: 100,000 Lbs W per customer per 30 day period
  - Removal Period: 30 days
- ★ **Long Term: Negotiated**
  - Quantity Dedicated: Balance of AMP
  - Limit: Multiple awards
  - Removal Period: One year, negotiable



# Sales Strategy

## Metal Powder & Ferrotungsten



### Current Sales

Negotiated Format

Alternating Months

30 Day Removal Period



### Under Consideration – BOA

Frequency of offerings ?

Quantity ?

Time to formulate quote ?

Award Time ?



# Tungsten O & C Feasibility Study

*Anticipated award – September 30, 2004*

- **Goal: Identify options to optimize inventory management**
- Market Analysis:
  - Domestic & International
- Sale of current inventory:
  - Number of years
  - Maximum annual sales quantity
- Upgrade:
  - Form: APT - Metal Powder - Ferrotungsten - Carbide
  - Quantity: All - Portion - None
  - Location: U.S. - Overseas
- Concurrent sales & upgrade
- Economic analysis
- **Options and recommendations**



# ***Please give us your feedback...***



DNOSC presence in international market

Position material in overseas warehouse?

Dedicated sale for export?



Sales Methodologies

O&C quantity dedicated to SSA & Neg.?

Metal & Ferro BOA?



Market Conditions



Pricing

Come visit us...  
at <https://www.dnsc.dla.mil>

The screenshot shows the website for the Defense National Stockpile Center (DNSC). The header includes the site name and "Online Commodity Sales" on the left, and the date "Thursday, February 12, 2004" on the right. A left-hand navigation menu lists various sections such as Home, Inside DNSC, Materials Reports, News Releases, Commodities, Depot Locations, BOA Sales, SSA Sales, Register, Login, Links, Notices, and Contact Us. The main content area features a large photograph of the Defense National Stockpile Center HQ in Fort Belvoir, Virginia, with a fountain in the foreground. Below the photo are two logos: the Defense Logistics Agency (DLA) logo on the left and a circular logo on the right that reads "Our Vision" and "ONE TEAM... ONE FOCUS... AROUND THE CLOCK, ACROSS THE WORLD". At the bottom, there are links for "Privacy/Security", "Accessibility", and "Contact Webmaster", along with the text "Site last modified Thursday, February 12, 2004".

Easy to navigate, interactive, up-to-date information  
Inventory can be sorted by type, quality & location



# Defense National Stockpile Center

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