

Department of Defense
SUPPLY SYSTEM INVENTORY REPORT
September 30, 2004

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FOREWORD

The **Department of Defense (DoD) Supply System Inventory Report** is an annual publication. It provides summary statistics on the status of DoD supply system inventories. The report summarizes, by dollar value, inventories by DoD Component, retention categories, and funding source.

Commodities in this publication are grouped into two categories for comparison purposes - "Principal Items" and "Secondary Items." Principal items are primarily composed of major systems and weapons, but not complete aircraft, ships, tanks, helicopters, other combat and tactical vehicles, ICBMs, intermediate range ballistic missiles, or space vehicles. Secondary items are defined as consumable and repairable items other than principal items, including parts and assemblies that support principal items, and other consumables, such as food, medical items, and fuel, which do not support principal items.

DoD Regulation 4140.1-R, DoD Materiel Management contains guidance and definitions for this report.

NOTE: Beginning with fiscal year (FY) 1991, inventory was valued under the standard DoD valuation methodology valued at latest acquisition cost. The value for reparable items requiring repair was reduced by the cost of repair; and inventory stratified as "Potential Reutilization/Disposal Stock" was valued at net realizable value, i.e., salvage prices (2.2% of latest acquisition cost for FY 1991, 2.3% for FY 1992, 2.04% for FY 1993, 2.0% for FY 1994, 2.5% for FY 1995, 3.2% for FY 1996, 2.7% for FY 1997, 3.4% for FY 1998, 2.9% for FY 1999, 1.8% for FY 2000, 1.9% for FY 2001, 1.8% for FY 2002, 1.9% for FY 2003, and 1.6% for 2004). Beginning with FY 2003, DoD began transitioning the inventory valuation method to moving average cost (MAC).

TABLE 1.0A

**DEPARTMENT OF DEFENSE SECONDARY SUPPLY SYSTEM INVENTORIES
(Billions of Dollars)**

SECONDARY ITEMS

Fiscal Year a/	Total b/	Approved Acquisition Objective c/	In-Transit d/	Economic Retention	Contingency Retention e/	Potential Reutilization/ Disposal
1973	22.7	15.1	0.9	2.5	1.5	2.7
1974	24.3	15.7	0.9	3.2	1.7	2.8
1975	26.8	17.7	1.1	3.0	2.1	2.9
1976	28.5	18.9	0.7	3.3	2.8	2.8
1977.	30.7	21.7	0.7	2.4	3.5	2.4
1978	32.6	23.3	0.7	2.4	4.0	2.2
1979	36.4	26.1	1.2	2.5	4.0	2.6
1980	43.4	32.3	1.0	2.7	4.9	2.5
1981	48.3	35.6	1.6	2.8	5.3	3.0
1982	54.8	37.7	4.4	3.2	6.5	3.0
1983	60.7	42.2	3.8	4.2	6.4	4.1
1984	70.5	47.7	3.4	5.4	6.9	7.1
1985	92.8	60.6	7.2	6.6	12.8	5.6
1986	88.5	54.5	4.7	7.5	16.3	5.5
1987	94.1	59.3	5.8	7.7	16.2	5.0
1988	103.2	64.1	5.4	9.7	14.3	9.6
1989	109.4	70.0	5.4	11.7	12.2	10.1
1990 f/	101.7	67.2	5.5	13.7	7.3	8.1
1991 g/	88.1	61.0	5.8	13.8	7.3	0.2
1992 g/	80.2	57.5	5.5	12.9	4.0	0.3
1993 g/	77.5	55.4	4.9	13.6	3.2	0.3
1994 g/	73.6	50.9	5.0	13.0	4.5	0.2
1995 g/	69.6	47.0	4.8	11.8	5.7	0.3
1996 g/	68.5	46.0	5.2	11.8	5.0	0.4
1997 g/	64.8	45.6	5.1	10.9	2.8	0.4
1998 g/	61.2	43.1	4.1	11.0	2.5	0.4
1999 g/	64.0	46.1	5.1	9.4	3.0	0.4
2000 g/	62.3	46.2	5.6	7.6	2.6	0.3
2001 g/	63.3	45.6	6.6	7.1	3.8	0.2
2002 g/	67.0	50.6	4.0	7.1	5.0	0.2
2003 g/	70.6	53.1	4.2	7.5	5.2	0.5
2004 g/	78.1	59.5	3.7	8.0	6.5	0.5

a/ See Note on the FOREWORD page.

b/ Figures may not add to totals due to rounding.

c/ Approved Force Retention Stock was deleted as a category effective September 30, 1991.

Data has been consolidated into this category.

d/ This category, formerly titled Unstratified Assets, was renamed effective September 30, 1991.

e/ Numeric Retention Stock was deleted as a category effective September 30, 1991.

Data has been consolidated into this category.

f/ Total includes reductions in inventory value for materiel in need of repair and inventory with decreased market prices.

g/ Total includes reductions in inventory value for materiel in need of repair, and Potential Reutilization/Disposal Stock is reduced to market prices for surplus usable property sold by the Defense Reutilization and Marketing Service. This is calculated under the DoD Comptroller's latest acquisition cost methodology mandated for all DoD annual reports and financial statements.

Table 1.0B
DEPARTMENT OF DEFENSE SECONDARY SUPPLY SYSTEM INVENTORIES
(Millions of Dollars)

	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 99-04
Current Dollars - Using Latest Acquisition Cost Method of Valuation							
Army	\$9,410.447	\$9,420.913	\$8,845.035	\$9,030.134	\$9,497.610	\$12,847.535	\$3,437.088
Navy	\$17,612.280	\$17,496.032	\$19,491.287	\$21,013.956	\$22,225.817	\$23,914.134	\$6,301.854
USMC	\$364.621	\$351.387	\$513.650	\$265.550	\$354.178	\$302.878	(\$61.743)
Air Force	\$27,106.971	\$25,103.895	\$24,633.427	\$26,149.410	\$27,498.844	\$26,795.656	(\$311.315)
DLA	\$9,527.830	\$9,948.482	\$9,847.355	\$10,521.681	\$10,975.942	\$14,275.092	\$4,747.262
Total, Current Dollars (Then-Year Dollars)	\$64,022.149	\$62,320.709	\$63,330.754	\$66,980.731	\$70,552.391	\$78,135.295	\$14,113.146
Constant FY 1995 Dollars (FY 1998 Deflators) - Using Latest Acquisition Cost Method of Valuation							
Army	\$8,663.641	\$8,494.962	\$7,810.875	\$7,804.783	\$8,019.598	\$10,623.944	\$1,960.302
Navy	\$16,214.583	\$15,776.404	\$17,212.369	\$18,162.451	\$18,767.050	\$19,775.187	\$3,560.604
USMC	\$335.685	\$316.850	\$453.595	\$229.516	\$299.061	\$250.457	(\$85.228)
Air Force	\$24,955.783	\$22,636.515	\$21,753.291	\$22,601.046	\$23,219.492	\$22,157.989	(\$2,797.794)
DLA	\$8,771.709	\$8,970.678	\$8,696.004	\$9,093.933	\$9,267.873	\$11,804.426	\$3,032.717
Total, Constant FY 1995 Dollars (FY 1998 Deflators)	\$58,941.400	\$56,195.409	\$55,926.134	\$57,891.730	\$59,573.074	\$64,612.003	\$5,670.603
Constant FY 1995 Dollars (FY 2005 Deflators) - Using Latest Acquisition Cost Method of Valuation							
Army	\$8,950.397	\$8,825.211	\$8,167.915	\$8,868.411	\$8,868.411	\$11,473.062	\$2,522.666
Navy	\$16,751.265	\$16,389.726	\$17,999.157	\$16,469.954	\$16,469.954	\$21,355.719	\$4,604.454
USMC	\$346.796	\$329.168	\$474.329	\$330.779	\$330.779	\$270.475	(\$76.320)
Air Force	\$25,781.787	\$23,516.529	\$22,747.647	\$23,631.644	\$23,631.644	\$23,928.966	(\$1,852.821)
DLA	\$9,062.041	\$9,319.421	\$9,093.504	\$9,365.040	\$9,365.040	\$12,747.894	\$3,685.853
Total, Constant FY 1995 Dollars (FY 2005 Deflators)	\$60,892.286	\$58,380.055	\$58,482.551	\$58,665.828	\$58,665.828	\$69,776.116	\$8,883.831
Percent Real Growth - Constant Dollars							
Army		-1.4%	-7.4%	8.6%	0.0%	30.0%	28.2%
Navy		-2.2%	9.8%	-8.5%	0.0%	30.3%	27.5%
USMC		-5.1%	44.1%	-30.3%	0.0%	-17.8%	-22.0%
Air Force		-8.8%	-3.3%	3.9%	0.0%	1.8%	-7.2%
DLA		2.8%	-2.4%	3.0%	0.0%	36.8%	40.7%
Total		-4.1%	0.2%	0.3%	0.0%	19.5%	14.6%
FY 1998 Deflators with FY 1995 = 1.00	1.0862	1.1090	1.1324	1.1570	1.1843	1.2093	
FY 2005 Deflators with FY 1995 = 1.00	1.0514	1.0675	1.0829	1.0932	1.1052	1.1198	
FY 2005 Deflators (O&M Excl. Pay & Fuel); TOA	0.9258	0.9399	0.9535	0.9626	0.9731	0.9860	
FY 1998 Deflators (O&M Excl. Pay & Fuel); TOA	1.0210	1.0425	1.0645	1.0876	1.1132	1.1367	

Note:

To improve its management of assets, the Navy moved \$660M of combatant ship aviation reparables and other assets at Marine Air Stations from operating materials & supplies into inventory accounts in FY 1997, \$840M in FY 1998, \$1.2B in FY 1999, \$1.4B in FY 2000, and \$3.54B in FY 2001.

TABLE 1.1A

**DEPARTMENT OF DEFENSE SUPPLY SYSTEM INVENTORIES
SEPTEMBER 30, 2005 a/**

TOTAL SECONDARY ITEMS		Thousands of Dollars						
SECONDARY ITEMS	Approved Acquisition Objective	War Reserve Materiel b/	In-Transit Stock	Economic Retention Stock	Contingency Retention Stock	Potential Security Assistance Stock c/	Potential Reutilization/ Disposal Stock	Total
U.S. Army	10,350,139	2,656,898	632,549	460,979	1,364,324		39,544	12,847,535
U.S. Navy	19,004,507	165,761	2,140,787	1,628,257	814,814	217,916	325,769	23,914,134
U.S. Marine Corps	277,609	62,361		23,295	8		1,966	302,878
U.S. Air Force	20,216,342	3,585,025	16,370	2,980,122	3,503,185	9,975	79,637	26,795,656
Defense Logistics Agency	9,640,899	2,144,829	902,668	2,864,623	848,629		18,273	14,275,092
TOTAL SECONDARY ITEMS	59,489,497	8,614,874	3,692,374	7,957,276	6,530,960	227,891	465,188	78,135,295
Revolving Funds	56,665,747	8,593,233	3,716,058	7,252,590	5,562,450	227,890	458,204	73,655,049
Investment Funds	2,823,750	21,641	-23,684	704,686	968,510	1	6,984	4,480,246
TOTAL SECONDARY ITEMS	59,489,497	8,614,874	3,692,374	7,957,276	6,530,960	227,891	465,188	78,135,295

a/ See Note on FOREWORD page.

b/ Memo Entry, included in Approved Acquisition Objective.

c/ Memo Entry, included in Contingency Retention Stock.

TABLE 1.1B

**DEPARTMENT OF DEFENSE SUPPLY SYSTEM INVENTORIES
SEPTEMBER 30, 2005 a/**

TOTAL CONSUMABLE		Thousands of Dollars							
SECONDARY ITEMS	Approved Acquisition Objective	War Reserve Materiel b/	In-Transit Stock	Economic Retention Stock	Contingency Retention Stock	Potential Security Assistance Stock c/	Potential Reutilization/ Disposal Stock	Total	
U.S. Army	2,741,188	1,556,020	347,781	94,329	147,748		10,293	3,341,339	
U.S. Navy	1,789,690	131,075	-417,328	82,390	13,124	3,614	35,445	1,503,321	
U.S. Marine Corps	32,468	18,278		761	2		123	33,354	
U.S. Air Force	520,508	278,749	16,370	53,036	23,889		41	613,844	
Defense Logistics Agency	9,640,899	2,144,829	902,668	2,864,623	848,629		18,273	14,275,092	
TOTAL SECONDARY ITEMS	14,724,753	4,128,951	849,491	3,095,139	1,033,392	3,614	64,174	19,766,949	
Revolving Funds	14,724,753	4,128,951	849,491	3,095,139	1,033,392	3,614	64,174	19,766,949	
TOTAL SECONDARY ITEMS	14,724,753	4,128,951	849,491	3,095,139	1,033,392	3,614	64,174	19,766,949	

a/ See Note on FOREWORD page.

b/ Memo Entry, included in Approved Acquisition Objective.

c/ Memo Entry, included in Contingency Retention Stock.

TABLE 1.1C

**DEPARTMENT OF DEFENSE SUPPLY SYSTEM INVENTORIES
SEPTEMBER 30, 2005 a/**

TOTAL REPARABLE		Thousands of Dollars							
SECONDARY ITEMS	Approved Acquisition Objective	War Reserve Materiel b/	In-Transit Stock	Economic Retention Stock	Contingency Retention Stock	Potential Security Assistance Stock c/	Potential Reutilization/ Disposal Stock	Total	
U.S. Army	7,608,951	1,100,878	284,768	366,650	1,216,576		29,251	9,506,196	
U.S. Navy	17,214,817	34,686	2,558,115	1,545,867	801,690	214,302	290,324	22,410,813	
U.S. Marine Corps	245,142	44,083		22,534	6		1,843	269,525	
U.S. Air Force	19,695,834	3,306,276		2,927,086	3,479,296	9,975	79,596	26,181,812	
TOTAL SECONDARY ITEMS	44,764,744	4,485,923	2,842,883	4,862,137	5,497,568	224,277	401,014	58,368,346	
Revolving Funds	41,940,994	4,464,282	2,866,567	4,157,451	4,529,058	224,276	394,030	53,888,100	
Investment Funds	2,823,750	21,641	-23,684	704,686	968,510	1	6,984	4,480,246	
TOTAL SECONDARY ITEMS	44,764,744	4,485,923	2,842,883	4,862,137	5,497,568	224,277	401,014	58,368,346	

a/ See Note on FOREWORD page.

b/ Memo Entry, included in Approved Acquisition Objective.

c/ Memo Entry, included in Contingency Retention Stock.

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DoD Secondary Item Inventory by Component

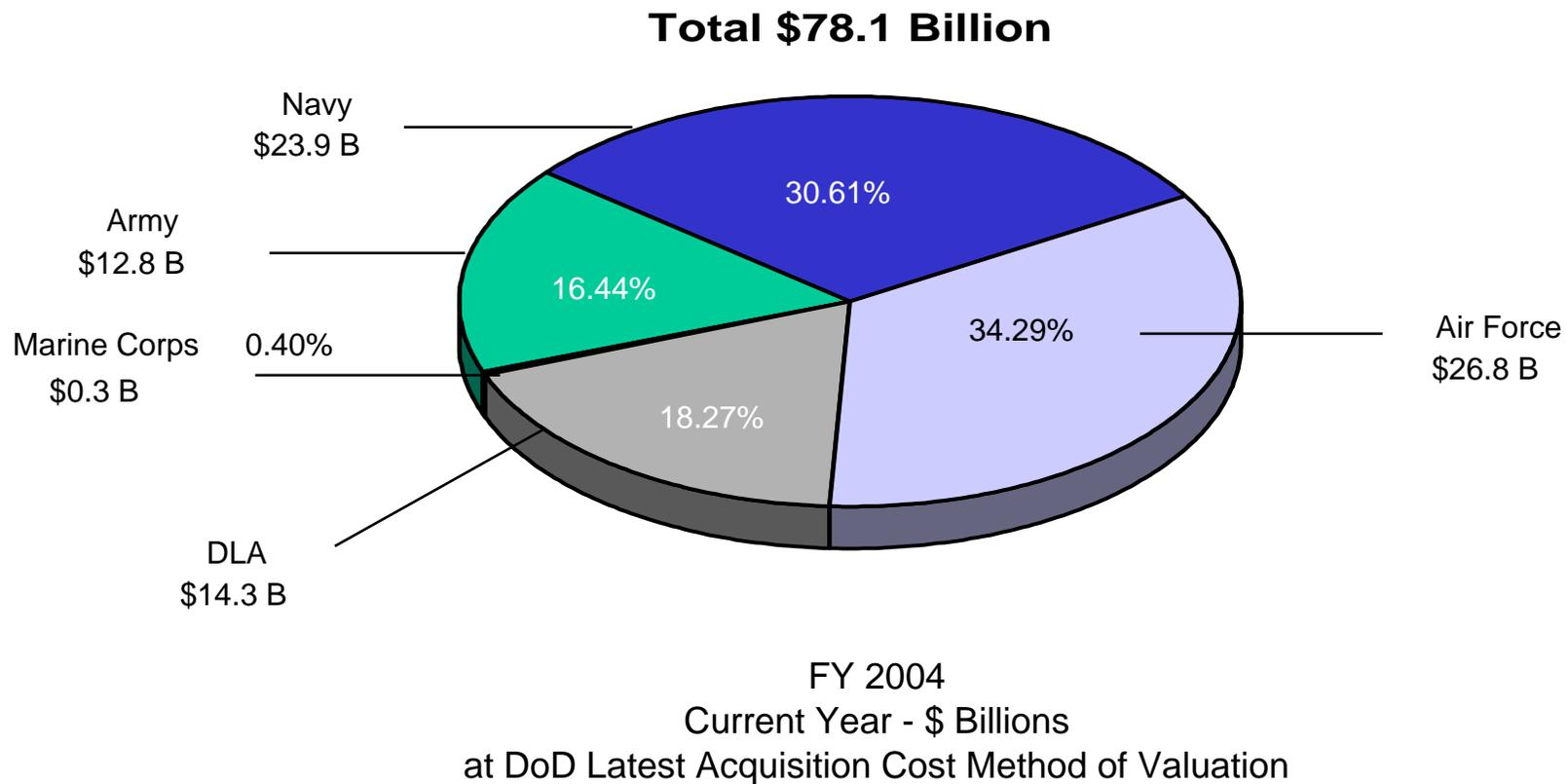


FIGURE 1

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DoD Secondary Inventory Value

Current Year - \$Billions at DoD Latest
Acquisition Cost Method of Valuation

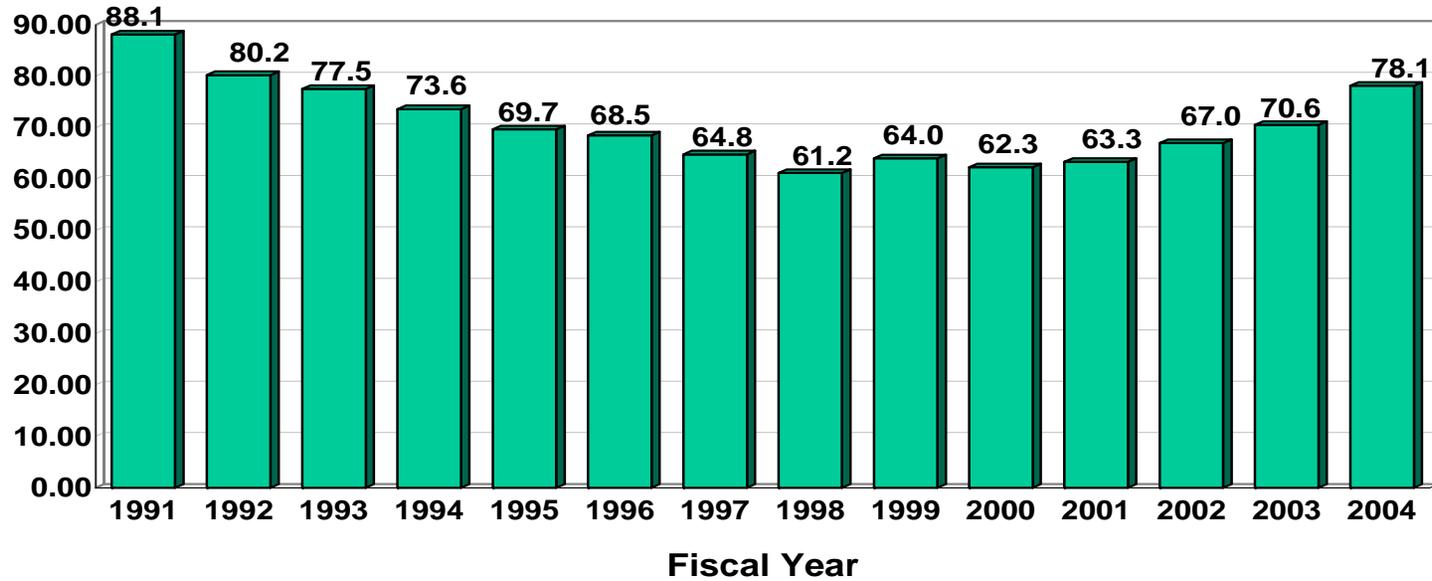
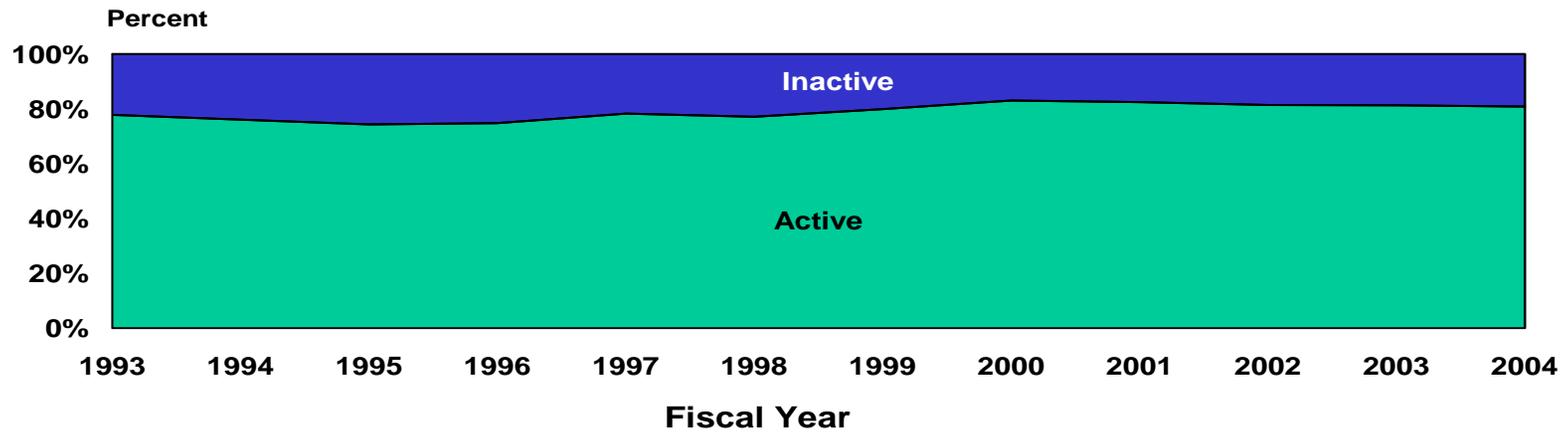


FIGURE 2

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DoD Active Inventory and Inactive Inventory to Total Inventory



Inventory	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Active	60.3	55.9	51.8	51.2	50.7	47.2	51.2	51.7	52.2	54.6	57.3	63.2
Inactive	17.2	17.7	17.9	17.2	14.1	14	12.8	10.6	11.1	12.4	13.2	15.0
Total	80.2	77.5	73.6	69.7	68.5	64.8	61.2	64.0	63.3	67.0	70.5	78.1

Current Year - \$ Billions at DoD Latest Acquisition Cost Method of Valuation

FIGURE 3

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DoD Secondary Inventory by Item Type

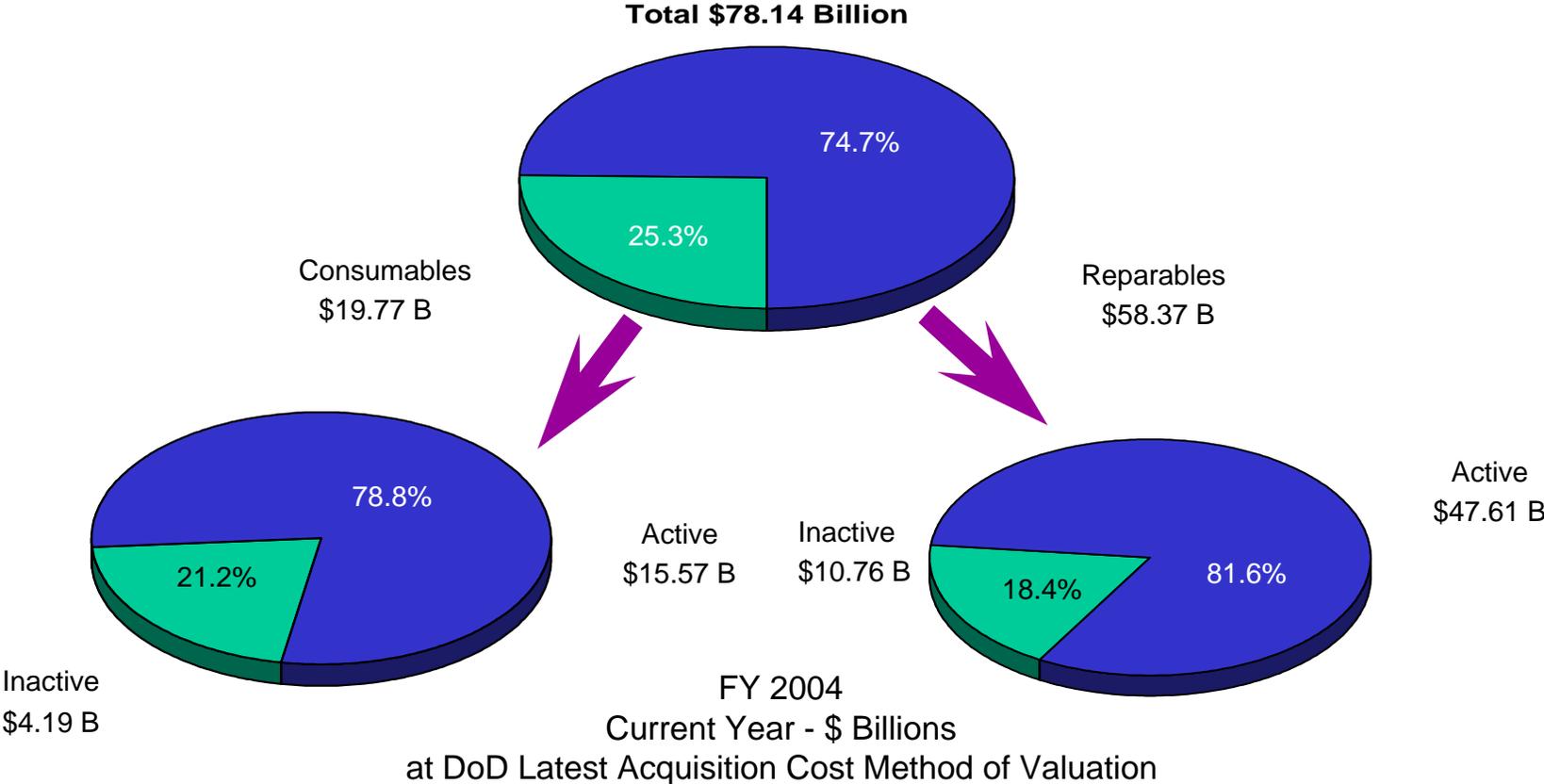


FIGURE 4

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DoD Secondary Inventory by Management Level

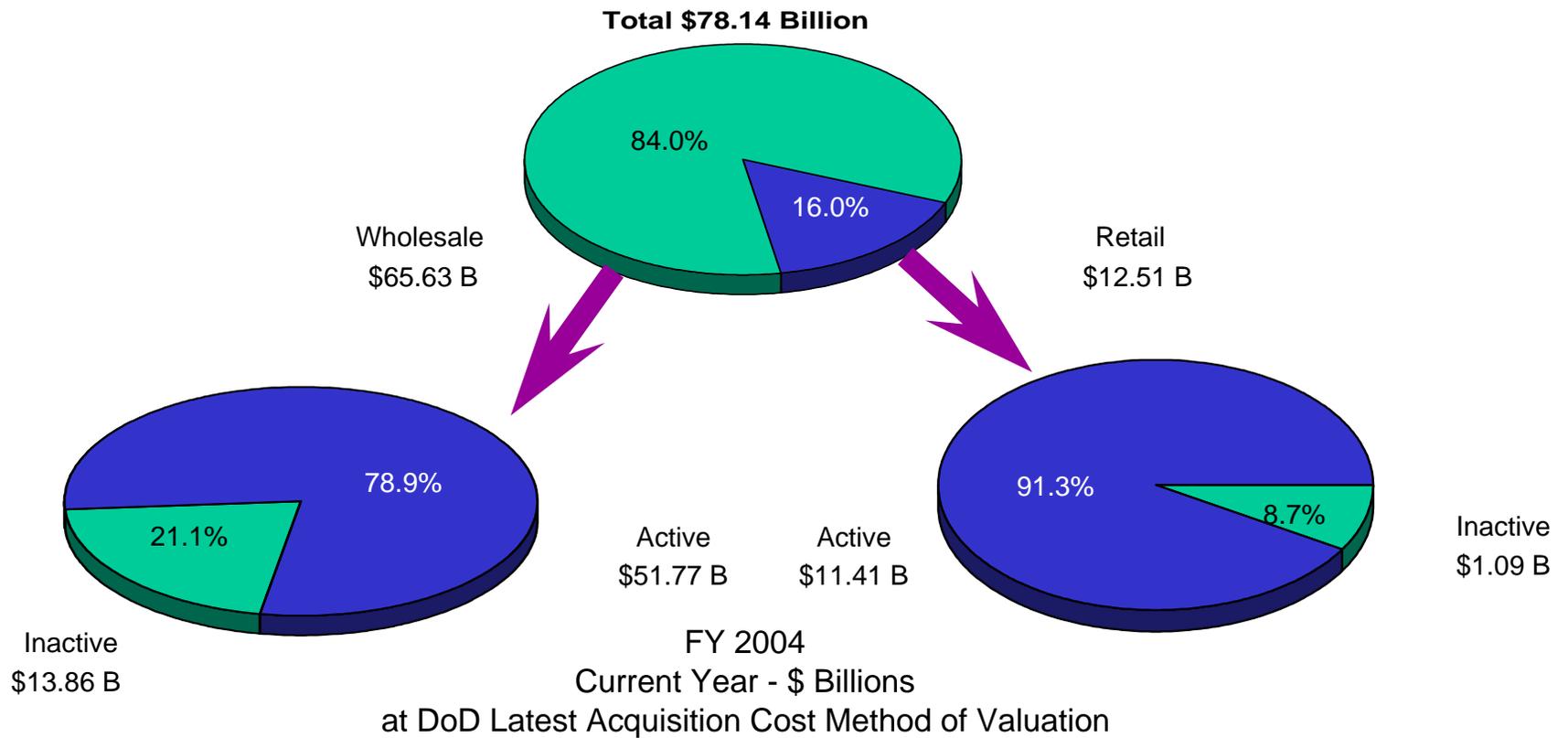


FIGURE 5

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TABLE 1.2A
DEPARTMENT OF DEFENSE SUPPLY SYSTEM INVENTORIES
SEPTEMBER 30, 2004 a/
PRINCIPAL ITEMS

Department of Defense Standard	Thousands of Dollars					
	Army	Navy	Air Force	Marine Corps	DLA	Total
Weapons	2,004	105,488	37,122			144,614
Major Aircraft Subsystems and Related Equipment		579	483,465			484,044
Major Ship Subsystems, Small Craft and Related Equipment		1,008,140				1,008,140
Munitions and Related Equipment	30,520,000	13,527,689	5,609,413	73,668		49,730,770
Missile Systems and Related Equipment	967,667	16,478,200	127,830	1,146,290		18,719,987
Tank, Combat, and Tactical Vehicle Subsystems				61,608		61,608
Support Vehicles and Railway Equipment			140	55,899		56,039
Electronics, Communications, Control and Information Systems, and Related Equipment	633,782	1,001,395	740,502			2,375,679
Propulsion Systems, Aircraft Engines, and Related Equipment		3,840,979	9,085,701			12,926,680
Uncategorized Major Equipment	955,344	302,706	247,707		12,072	1,517,829
TOTAL PRINCIPAL ITEMS	33,078,797	36,265,176	16,331,880	1,337,464	12,072	87,025,389

* Navy's principal inventory values for ammunition are based on Conventional Ammunition Integrated Management System (CAIMS).

TABLE 1.2B
DEPARTMENT OF DEFENSE PRINCIPAL SUPPLY SYSTEM INVENTORIES
(Billions of Dollars)

PRINCIPAL ITEMS							
Fiscal Year a/	Total b/	Approved Acquisition Objective c/	In-Transit d/	Economic Retention	Contingency Retention e/	Potential Reutilization/ Disposal	
1973	19.4	15.0	0.4	1.5	1.2	1.3	
1974	22.7	17.6	0.4	1.9	1.7	1.1	
1975	29.9	24.5	0.4	2.6	1.5	0.9	
1976	27.5	22.0	0.2	2.8	1.5	1.0	
1977	26.7	20.2	0.2	2.8	2.3	1.2	
1978	26.2	19.9	-0.3	3.1	2.1	1.5	
1979	30.6	24.0	0.3	3.3	1.9	1.1	
1980	31.9	26.2	0.2	2.6	1.6	1.3	
1981	40.0	33.3	0.5	2.3	2.0	1.9	
1982	47.5	39.8	0.9	2.8	2.4	1.6	
1983	53.6	46.0	0.7	2.5	3.0	1.4	
1984	61.9	51.9	1.4	2.8	3.2	2.6	
1985	69.2	57.9	1.4	3.2	3.5	3.2	
1986	74.9	62.3	1.8	3.2	5.0	2.6	
1987	142.9	131.9	1.3	3.7	4.3	1.7	
1988 f/	165.5	139.9	1.3	5.8	15.5	3.0	
1989	180.2	157.6	1.0	5.4	15.0	1.2	
1990	197.4	181.1	3.0	5.0	5.4	2.9	
1991	203.4	190.0	2.2	5.2	5.9	*	
1992 g/ h/	72.0	--	--	--	--	--	
1993	81.1	--	--	--	--	--	
1994	97.7	--	--	--	--	--	
1995	92.6	--	--	--	--	--	
1996	78.4	--	--	--	--	--	
1997	95.2	--	--	--	--	--	
1998	90.4	--	--	--	--	--	
1999	93.1	--	--	--	--	--	
2000	93.2	--	--	--	--	--	
2001	101.9	--	--	--	--	--	
2002	93.6	--	--	--	--	--	
2003	86.7	--	--	--	--	--	
2004	87.0	--	--	--	--	--	

* Less than \$100 million

a/ See Note on FOREWORD page.

b/ Figures may not add to totals due to rounding.

c/ Approved Force Retention Stock was deleted as a category effective September 30, 1991. Data has been consolidated into this category.

d/ This category, formerly titled Unstratified Assets, was renamed effective September 30, 1991.

e/ Numeric Retention Stock was deleted as a category effective September 30, 1991. Data has been consolidated into this category.

f/ Army inadvertently omitted munitions & related equipment valued at \$12+ billion dollars. The \$12+ billion dollars are not included.

g/ DoD 4140.1-R, "DoD Materiel Management," dated January 1993, no longer requires principal items to be broken out by retention category, since principal items are not part of the DoD stratification process.

h/ The reduction in value from 1991 to 1992 reflects the removal of whole tanks and helicopters from the principal item value. Prior to 1987, tanks and helicopters in the repair cycle were included in this report. From 1987 to 1991, all tanks and helicopters were included. The policy as of January 1993 is not to include tanks or helicopters, since major weapon systems are reported elsewhere and are not part of the supply system inventory for any Service.

GLOSSARY

Active Inventory: Materiel which is expected to be consumed within the budget year (2 years) and materiel that has been purchased to meet specific war reserve requirements.

Approved Acquisition Objective (AAO). The quantity of an item authorized for peacetime and wartime requirements to equip and sustain U.S. and Allied Forces, in accordance with current DoD policies and plans. This quantity shall be sufficient to support other U.S. Government Agencies, as appropriate.

War Reserve Materiel. Mission essential secondary items; principal and end items computed as part of the acquisition process; and munitions authorized for sustainability planning in Secretary of Defense Planning Guidance. In the SSIR, secondary items classified as War Reserve Materiel are shown as a memo entry subset of the Approved Acquisition Objective.

Intransit Assets. Materiel that is between storage locations, either wholesale or retail or materiel shipped from vendors after acceptance by the government but not yet received by the inventory manager. Intransit assets are not included in the records of wholesale inventory used in the stratification process.

Inactive Inventory: Materiel that is not expected to be consumed within the budget period but is likely to be utilized in future years.

Economic Retention Stock. That portion of the quantity of an item greater than the AAO determined to be more economical to retain for future peacetime issues than to dispose and satisfy projected future requirements through new procurement and/or repair. To warrant economic retention, items must have a reasonably predictable demand rate.

Contingency Retention Stock. That portion of the quantity of an item greater than the AAO and economic retention stock for which there is no predictable demand or quantifiable requirement, and that normally would be allocated as Potential Reutilization/Disposal Stock except for a determination that the quantity will be retained for specific contingencies.

Potential Security Assistance Materiel. Materiel that supports weapon systems phased out, or in the process of being phased out, of use by the Department of Defense but temporarily held for programs authorized by the "Foreign Assistance Act of 1961," as amended (40 USC. 512(a)), and the "Arms Export Control Act of 1976," as amended (DoD 4160.21-M-1), or other related statutes by which Department of Defense provides materiel by grant, credit, or cash sales in furtherance of National policies and objectives. It is a memo entry subset of Contingency Retention Stock.

Potential Reutilization and/or Disposal Materiel: Component materiel identified by an item manager for possible disposal but with potential for reutilization; or (2) materiel that has the potential for being sent by an item manager to the Defense Reutilization and Marketing Service for; (a) possible reutilization by another DoD Component or by a Federal, State, or local government agency; or for disposal through sale to the public.

Excess: Materiel that has completed reutilization screening within the DoD and is not required for the needs and the discharge of responsibilities of any DoD activity.

Secondary Item: An item that is not defined as a principal item and includes repairable components, subsystems, and assemblies, consumable repair parts, bulk items and material, subsistence, and expendable end items, including clothing and other personal gear.

Principal Item: An end item or a replacement assembly of such importance to operational readiness that management techniques require centralized individual item management throughout the supply system to include items stocked at depot level, base level, and using unit level.