difference between gains and losses in dollars was only 1 percent in 1965 and 1.4 percent in 1966.

Chairman PROXMIRE. Another point shows about a 25-percent discrepancy, as I recall.

Mr. MORRIS. That was the gross value——

Chairman PROXMIRE. From $10.4 billion to——

Mr. MORRIS. These were the gross adjustments up and down. The net trade-off between the two was only a 1-percent difference in one year and 1.4 in another. I am told our largest merchandising houses consider 2 percent net adjustment to be quite satisfactory.

Chairman PROXMIRE. How do we know, though, if we have not taken these inventories comprehensively? How do we know how far off we are?

Mr. MORRIS. These are the adjustments which were reported in 2 prior years. The Army did suspend its regular physical inventory for a period of 2 years and has now reinstituted it.

Chairman PROXMIRE. Can you give me what proportion of the depots have taken complete physical inventories in the last year—all of them? Army depots.

Mr. BROOKS. Not this last year, sir. The program is just getting going again.

Chairman PROXMIRE. Now they are getting going. When did that start?

Mr. BROOKS. It started with a location survey in, I believe, November of this year—this month—they are starting the complete round of physical inventories in January.

Chairman PROXMIRE. So that in calendar 1968, you expect that you will have a hundred percent?

Mr. BROOKS. It is intended to be completed by January 1, 1969.

Chairman PROXMIRE. Does this apply to the Navy, too?

Mr. MORRIS. Navy and Air Force did not stop their normal inventory procedures.

Chairman PROXMIRE. Yet the Comptroller General pointed out some very serious discrepancies and weaknesses as far as the Navy and Air Force inventory managements are concerned, too.

Mr. MORRIS. They all have had a very similar experience in terms of net adjustments. I checked into the Comptroller General's report. The net adjustments averaged 1 to 1½ percent. I think this is always going to be the case, with 4 million items in inventory. (See pp. 362, et seq., for further discussion on inventory controls.)

NEED FOR NAVY DAIRY

Chairman PROXMIRE. We have had some amusement and, of course, some real concern, about the waste of money—or what some of us feel is the waste of money—with regard to the Naval Academy in Annapolis maintaining a dairy in competition with dairy farmers. The President criticized this in his message when he signed the defense construction authorization act.

Is there any economic reason for continuing the Navy dairy?

Mr. MORRIS. Sir, this case apparently is somewhat unique in that you can build a case on either side of this from an economic point of view.