THE AMERICAN DRONE REVOLUTION

How the Drone Dominance Program, SkyFoundry, and the Foreign Drone Ban Are Converging to Reshape American Manufacturing, Defense, and Investment

A Strategic Briefing for Manufacturers, Entrepreneurs, and Investors

By Brian Southers

CEO, Mule Works Inc.

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Executive Summary

The United States is in the early stages of what may be the most significant shift in military procurement and domestic manufacturing since the mobilization efforts of World War II. Across multiple branches of government, legislation, executive action, and industrial policy are converging on a single objective: build hundreds of thousands of American-made drones, eliminate dependence on Chinese supply chains, and fundamentally reshape how the U.S. projects military power.

This is not a single program or initiative. It is an orchestrated convergence of the **Drone Dominance Program (DDP)**, the **SkyFoundry Act**, the **FCC foreign drone ban**, the **Blue UAS Cleared List**, and the **“Unleashing American Drone Dominance” Executive Order** — all moving in the same direction, at the same time, with billions of dollars in funding behind them.

For manufacturers, entrepreneurs, and investors, this convergence represents a once-in-a-generation opportunity. But the window to act is narrow. The first production contracts are being awarded now, the Gauntlet testing began February 18 at Fort Benning, and the industrial base that emerges over the next 12–18 months will define American drone manufacturing for decades to come.

Most revolutions are only recognized after the fact. This document exists to ensure that does not happen here.

1. The Convergence: Five Pillars Moving in One Direction

What makes this moment historically unprecedented is not any single initiative, but the fact that five major policy actions are all converging simultaneously toward the same outcome: a massive, domestic, American-built drone arsenal.

1.1 The Drone Dominance Program (DDP)

In December 2025, Defense Secretary Pete Hegseth launched what the Pentagon calls the largest unmanned systems buildup in U.S. history. The Drone Dominance Program is a $1 billion, four-phase initiative funded through the reconciliation package (commonly referred to as the “Big Beautiful Bill”) to procure approximately 340,000 small one-way attack drones from American manufacturers over two years.

On February 3, 2026, the Pentagon named 25 vendors to compete in Phase I. These vendors include established defense firms, commercial drone startups, and notably, several Ukraine-based companies whose platforms have been tested on active battlefields. The Gauntlet I evaluation began February 18 at Fort Benning, Georgia, where military drone operators are flying and evaluating vendor equipment. From that field of 25, the Pentagon will downselect to 12 vendors who will receive fixed-price prototype delivery orders totaling $150 million.

Phase	Timeline	Drones	Vendors	Unit Cost
Phase I	Feb–Jul 2026	30,000	25 → 12	$5,000

Phase II	Late 2026	60,000	8–10	$3,500–$4,000
Phase III	2027	100,000+	6–8	$2,500–$3,000
Phase IV	2027+	150,000	5	~$2,300

Note: 25 vendors compete in Gauntlet I; downselect to 12 for delivery orders. Vendor count decreases and volume increases each phase.

The specifications require drones capable of carrying a minimum 4.4 lb (2 kg) warhead, striking across 10 km of open terrain and 1 km in urban environments. The per-unit cost starts at $5,000 in Phase I and is expected to fall to approximately $2,300 by Phase IV as production scales and competition intensifies. The DDP alone targets approximately 340,000 drones; this is distinct from, and additional to, the broader Army acquisition goal of one million drones over two to three years.

1.2 The SkyFoundry Act and Army Production Initiative

The SkyFoundry Act, introduced by Rep. Pat Harrigan (R-NC) and incorporated into the FY2026 NDAA, authorizes the creation of a government-owned, contractor-operated drone innovation and production enterprise. The ultimate production target is striking: once fully operational, the facility must be capable of producing one million small drones per year. That full capacity is likely several years away, but the Army is not waiting for legislative formalities to begin.

SkyFoundry is designed as a hybrid system. The government owns and operates the facilities, but contractors, startups, universities, and nonprofits can embed engineers, provide components, and contribute designs. Intellectual property rules ensure the government retains rights to continue production even if vendors change. The legislation explicitly authorizes bypassing many traditional acquisition bottlenecks through alternative contracting mechanisms, rapid prototyping pathways, and regulatory waivers.

As an interim step, Army Vice Chief of Staff Gen. James Mingus confirmed the Army expects to manufacture at least 10,000 drones per month by mid-2026 through the SkyFoundry pilot program, led by Army Materiel Command. Army Secretary Daniel Driscoll has set a target of acquiring one million drones over the next two to three years. The U.S. Army currently buys approximately 50,000 drones per year — this represents a twenty-fold increase.

1.3 The FCC Foreign Drone Ban and DJI Restriction

On December 23, 2025, a regulatory trigger was pulled that fundamentally altered the U.S. drone market. The FY2025 NDAA had required a national security agency to complete a formal security audit of DJI by that date. No agency completed the review. Rather than targeting only DJI, the FCC added all foreign-produced UAS and UAS critical components to its Covered List — effectively blocking new foreign-made drones from receiving FCC equipment authorization, which is required for legal import, marketing, and sale in the United States.

This was far broader than the industry expected. Chinese drone manufacturers had controlled approximately 70% of the global commercial drone market, with DJI alone accounting for more than half of U.S. commercial drone sales. That pipeline is now cut off for any new models. Existing drones with prior FCC authorization remain legal to own, fly, and sell from existing stock, but no new foreign-made drone models can enter the U.S. market.

Important nuance: The FCC's January 7, 2026 update created temporary exemptions. Drones on the Blue UAS Cleared List and products meeting the 65% domestic end product threshold are eligible for continued FCC approval through January 1, 2027. This means cleared American and allied drone systems face no disruption, while the ban primarily impacts Chinese and other foreign manufacturers seeking to introduce new products.

The FY2026 NDAA further tightened restrictions, expanding bans to include Chinese ground drones and "clones," and the FCC explicitly sought to prevent subsidiaries, affiliates, and shell companies from evading the prohibition.

1.4 The Blue UAS Cleared List Expansion

The Blue UAS Cleared List is the Department of Defense's trusted catalog of approved drone systems, designed to meet strict cybersecurity, supply chain, and performance standards. This list is growing rapidly in late 2025 and into 2026 as the government moves to expand the inventory of affordable, American-made drone options for military buyers.

For drone companies, getting on the Blue UAS list is now the gateway to federal procurement. The convergence of the foreign drone ban with the expansion of the Blue UAS list creates a clear market signal: build American, get certified, and you have access to billions in government contracts with dramatically reduced foreign competition. Companies like Skydio, Teal Drones, and others on the cleared list are already positioned to benefit, while new entrants have a clear certification pathway.

1.5 The "Unleashing American Drone Dominance" Executive Order

On June 6, 2025, President Trump signed the Executive Order titled "Unleashing American Drone Dominance," which serves as the overarching policy umbrella for all of these initiatives. The order directs the FAA to fast-track Beyond Visual Line of Sight (BVLOS) rules, launches an eVTOL pilot program, requires all federal agencies to prioritize U.S.-manufactured drones, expands the Blue UAS list, and instructs the DOD to review military programs for drone integration opportunities.

The Executive Order also prioritizes export promotion for U.S.-made drones through the Department of Commerce, Export-Import Bank, and the International Development Finance Corporation. The companion LEAD Act would reclassify military drone exports to a faster approval track, enabling allied nations to purchase American-made drones more easily — a process that currently takes up to four or five years. This is not just domestic policy; it is the foundation for American dominance in the global drone market, designed to counter China's current 70%+ global market share.

2. Why This Moment Is Historic

2.1 The Scale Is Unprecedented

Metric	Scale
Current U.S. Army drone purchases	**~50,000/year**
DDP program target (2026–2028)	**~340,000 drones**

Broader Army acquisition goal (2–3 years)	**1,000,000 drones**
SkyFoundry full production capacity target	**1,000,000/year**
DDP Phase I budget	**$150 million**
Total DDP funding (reconciliation bill)	**$1 billion**
FY2026 NDAA counter-UAS budget	**$3.187 billion**
FY2026 CCA (autonomous wingmen) investment	**$789 million**
Global commercial drone market (China share)	**~70% of $41 billion**

2.2 The Supply Chain Decoupling Is Real

This is not aspirational policy — the supply chain break with China is happening. The FCC action of December 23, 2025 effectively closed the door on new Chinese drone imports. The FY2026 NDAA mandates a high-level Small-UAS Industrial Base Working Group under the Deputy Secretary of Defense to identify and remediate fragile or non-U.S. suppliers. The SkyFoundry Act explicitly targets domestic production of motors, sensors, batteries, and circuit boards — the very components that China currently dominates.

As Michael Robbins, President and CEO of the Association for Uncrewed Vehicle Systems International (AUVSI), stated: if we are seeking to build one million drones and planning on sourcing those drone parts from China, that is a fundamentally bad strategy. If sea lanes are cut off in a hot conflict, those motors, batteries, and sensors will not be available. The entire initiative is built on the premise that the U.S. must control its own drone supply chain — from raw materials to finished platforms.

2.3 The Global Context: Countering Mass Production

The urgency is driven by the realities of modern conflict. Ukraine deploys approximately 9,000 drones daily against Russian forces, consuming roughly 270,000 drones per month. Russia and Ukraine together produce nearly four million drones per year. China is estimated to produce more than double that. The U.S. Army currently buys about 50,000 per year. The gap is not incremental — it is orders of magnitude.

The LEAD Act and the Executive Order's export provisions are designed not only to arm U.S. forces but to ensure allied nations buy American-made drones instead of Chinese alternatives. Streamlined export approvals would open markets across NATO, Five Eyes, and Indo-Pacific partner nations — turning a domestic industrial base into a global platform.

2.4 Historical Parallel: The Arsenal of Democracy

The closest historical parallel to what is unfolding is the industrial mobilization of World War II, when the United States transformed its peacetime manufacturing base into the Arsenal of Democracy. The similarities are instructive:

- **Massive government demand signal:** In WWII, guaranteed government orders gave manufacturers the confidence to retool. Today, the DDP and SkyFoundry provide that same stable demand signal — $1 billion in committed funding with clear phase-by-phase procurement targets, and an Army commitment to purchase one million drones.

- **New entrants welcome:** WWII saw automakers become aircraft manufacturers. Today, the Pentagon has explicitly stated it wants to work with commercial drone companies serving civilian markets, not just traditional defense contractors. The Gauntlet includes Ukrainian companies with battlefield experience alongside American startups.
- **Speed over perfection:** The WWII mantra was "good enough, fast enough, in sufficient quantity." The DDP embodies this philosophy: attritable, expendable systems at $2,300–$5,000 per unit, reclassified as consumables rather than durable property, designed to be expended in combat like ammunition.
- **Supply chain sovereignty:** Just as WWII forced the creation of domestic rubber and steel capacity, this initiative is forcing the creation of domestic drone component manufacturing — from brushless motors to batteries to sensors to circuit boards.

But there is a critical difference: in WWII, the threat was visible and universally understood. Today, the drone revolution is happening in plain sight, yet most people outside the defense industry do not yet grasp its magnitude. By the time the general public recognizes what happened, the industrial base will already be built and the market winners will already be established.

3. Risks and Challenges to Consider

The opportunity is immense, but it would be irresponsible to present it without acknowledging the real obstacles that must be overcome. Credible investors and manufacturers will want to understand these risks:

Production Scaling

Going from 50,000 drones per year to one million is a twenty-fold increase. Domestic manufacturers face higher labor, compliance, and facility costs than Chinese peers. The tooling, automation, and workforce required to produce brushless motors, battery packs, and sensor arrays at scale do not currently exist in the U.S. at the volumes required. Building that capacity takes time, even with unlimited funding.

Supply Chain Bottlenecks

Even with the push to "buy American," many critical drone components — rare earth magnets, lithium battery cells, specialized sensors — have supply chains that still run through China or other foreign sources. The SkyFoundry Act addresses this, but remediating fragile supply chains is a multi-year effort. Companies that solve specific component bottlenecks (domestic motor winding, battery production, microelectronics) may find themselves in extremely high demand.

Quality and Reliability at Low Cost

Attritable does not mean unreliable. Drones at $2,300–$5,000 per unit still need to fly, navigate, and deliver a warhead to a target. The Replicator initiative under the previous administration encountered persistent technical issues, including systems that were unreliable, too expensive, or too slow to manufacture. Lessons from that program's challenges must inform the DDP to avoid repeating them.

Integration and Training

Equipping every Army squad with drones by end of 2026 requires not just hardware but doctrine, training, and sustainment infrastructure. The Army and Marine Corps already have crowded training calendars. Integrating swarms, electronic warfare, counter-UAS threats, and airspace deconfliction at the squad level is operationally complex. Sustainment — batteries, repairs, storage, disposal — creates new logistics burdens that the military is still defining.

Vendor Consolidation Risk

The DDP starts with 25 vendors and narrows to 5 by Phase IV. While this competitive structure drives innovation, it also means most early participants will be eliminated. Companies need to plan for the possibility of not advancing, and investors should understand that early-phase participation does not guarantee long-term contracts.

4. The Call to Action: Why Manufacturers, Entrepreneurs, and Investors Must Move Now

4.1 For Manufacturers

The Drone Dominance Program is structured to reward manufacturers who can deliver scale, supply-chain security, and operational simplicity. The Gauntlet model means your drones will be tested by actual warfighters in realistic scenarios. Companies that can produce large quantities efficiently, with modular designs and robust domestic supply chains, are positioned to benefit.

The SkyFoundry model offers an additional pathway: even if you are not selected for the DDP, SkyFoundry allows contractors, startups, universities, and nonprofits to embed engineers, provide components, and contribute designs within the government facility. For component manufacturers specifically — those producing motors, batteries, sensors, circuit boards, or airframe materials — the demand signal is enormous regardless of which platform vendors win.

The window is narrowing. Phase I has begun. Phase II will follow by late 2026. Companies not selected initially are encouraged to compete in subsequent phases, but the vendors who establish themselves early will have significant advantages in later rounds as per-unit prices drop and volume increases.

4.2 For Entrepreneurs

The elimination of Chinese competition from the U.S. market, combined with billions in committed government procurement, has created the most favorable environment for American drone startups in history. The barriers to entry have been deliberately lowered: the Pentagon's procurement reforms explicitly favor commercial companies over traditional defense contractors. The reclassification of small drones as "consumables" means field commanders can procure directly without lengthy Pentagon approval processes.

Beyond military applications, the domestic drone manufacturing ecosystem being built for defense will inevitably spill into commercial markets. Large-scale domestic production drives down costs, shortens supply chains, and accelerates innovation across agriculture, logistics, infrastructure inspection, emergency response, and more. The commercial drone market is valued at over $41 billion globally — and the U.S. share of that market is about to grow dramatically as domestic manufacturing scales and costs fall.

4.3 For Investors

The investment thesis is compelling: a $1 billion committed government demand signal with a clear four-phase roadmap, expanding to potentially billions more through regular DOD budgeting. The total addressable market extends well beyond military procurement:

- **Military procurement:** ~340,000 drones through DDP; 1 million through broader Army goals
- **Counter-UAS systems:** $3.187 billion in FY2026 NDAA funding (+$940 million over FY2025)
- **Export markets:** LEAD Act and Executive Order streamlining exports to NATO/Five Eyes/Indo-Pacific allies
- **Component manufacturing:** Domestic production of motors, batteries, sensors, circuit boards
- **Commercial spillover:** Agriculture, logistics, inspection, emergency response ($41B+ global market)
- **Training and sustainment:** Maintenance, repair, operator training, software integration

The FUZE initiative, announced in September 2025, provides a venture-capital-like acquisition model designed to speed up private development of emerging technologies for military use. This is explicitly designed to bring non-traditional vendors and their investors into the defense ecosystem. Companies that solve specific bottlenecks — domestic motor manufacturing, battery cell production, secure software stacks, autonomous navigation — may command premium valuations as the industrial base scales.

5. Critical Timeline: Key Dates and Milestones

Date	Event
June 6, 2025	Executive Order: “Unleashing American Drone Dominance” signed
July 10, 2025	Defense Secretary Hegseth memo: “Unleashing U.S. Military Drone Dominance” directive
September 2025	FUZE venture-capital acquisition model announced; SkyFoundry Act introduced
October 2025	Army confirms SkyFoundry program; 10,000 drones/month target by mid-2026
November 2025	Army Secretary Driscoll announces 1 million drone acquisition goal
December 2, 2025	DDP Request for Information released
December 23, 2025	FCC adds all foreign-made UAS to Covered List; new imports effectively banned
December 2025	FY2026 NDAA passes House 312–112; SkyFoundry Act incorporated
January 7, 2026	FCC updates: Blue UAS and 65% domestic products exempt through Jan 1, 2027
February 3, 2026	25 vendors named for DDP Phase I Gauntlet

February 18, 2026	Gauntlet I testing begins at Fort Benning, Georgia
March 2026	Phase I prototype delivery orders begin ($150 million)
July 2026	Phase I target: 30,000 drones delivered
Late 2026	Phase II begins; every Army squad to have drones (per Hegseth directive)
2027	200,000+ drones targeted; Phase III–IV procurement
2027–2028	SkyFoundry scales toward full production capacity

6. Conclusion: A Revolution in Plain Sight

What is happening right now in American drone policy is not incremental. It is revolutionary. The Drone Dominance Program, SkyFoundry, the FCC foreign drone ban, the Blue UAS expansion, and the Executive Order on American Drone Dominance represent a coordinated national mobilization to build a new industrial base from scratch — while simultaneously cutting off the foreign supply chains that currently dominate the market.

The numbers tell the story: from 50,000 drones per year to one million. From Chinese-dominated supply chains to fully domestic production. From years-long procurement cycles to Gauntlet competitions that test and order drones in months. From a handful of traditional defense contractors to 25 competing vendors that include startups and Ukrainian battlefield-tested companies.

History teaches us that most people do not recognize revolutions while they are happening. They see it only after it has passed. The data, the legislation, the funding, and the timelines are all public. The question is not whether this revolution is occurring — it is whether you will be positioned to participate in it before the window closes.

The time to act is now.

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