

Market Conditions Analysis and Recommendation

Wear Parts & Equipment Co., Inc. has requested a price adjustment for the Kennametal RK2-2P replacement bullet teeth utilized on County reclaimer/stabilizer equipment under ITB #22-05 Cutting Tools (Bullet Teeth) for Reclaimer-Stabilizers. The current contract price is \$8.07 per unit. The requested adjusted price is \$21.74 per unit, representing an increase of 169.39%.

Staff reviewed the vendor's request, manufacturer documentation, independent market reporting, and federal economic data to evaluate the reasonableness of the requested adjustment.

As support for the request, the vendor provided manufacturer price adjustment notices issued by Kennametal effective February 1, March 1, and May 1, 2026. In these notices, Kennametal cited continued increases in the costs of tungsten, cobalt, and Ammonium Paratungstate (APT), a critical precursor used in tungsten production. Kennametal further advised that elevated raw material costs had persisted throughout the supply chain and required multiple pricing adjustments during 2026 to maintain manufacturing continuity and product availability.

Staff also reviewed independent market reporting concerning tungsten-related raw materials. Reuters reported on January 29, 2026, that prices for Ammonium Paratungstate (APT), a key precursor used in tungsten production, had reached record highs. Reuters subsequently reported on March 23, 2026, that APT prices increased from less than \$400 per metric ton unit one year earlier to more than \$2,200 per metric ton unit, representing an increase exceeding 450 percent. Reuters further reported on May 18, 2026, that tungsten prices increased from approximately \$600 per metric ton to approximately \$3,000 per metric ton, representing an increase of approximately 400 percent. These reports indicate that manufacturers utilizing tungsten-intensive materials experienced extraordinary raw material cost escalation during 2026.

In addition, staff reviewed U.S. Bureau of Labor Statistics Producer Price Index data for Cutting Tool and Machine Tool Accessory Manufacturing (Series PCU333515333515) and Carbide Inserts and Throwaway Inserts (Series WPU11350147). Through April 2026, these indices continued to demonstrate inflationary pressures within the tooling and carbide manufacturing sectors and provide independent support for the manufacturer's documented cost increases.

Wear Parts & Equipment Co., Inc. has advised that the requested pricing can only be held through June 12, 2026. In response, Purchasing coordinated with all Road & Bridge locations to identify anticipated inventory requirements and provide departments an opportunity to place orders prior to the pricing deadline. This approach will assist departments in maintaining sufficient inventory for roadway stabilization and reclamation activities while reducing exposure to continued market volatility.

Staff intends to conduct a new competitive solicitation during FY27 to evaluate market conditions and obtain the most advantageous pricing available at that time. Departments will be encouraged to evaluate annual usage requirements and procure inventory during the most favorable pricing window available.

Based on the manufacturer documentation, independent market reporting, federal economic data, the June 12, 2026 pricing deadline, and the operational necessity of maintaining adequate inventory for Road & Bridge operations, staff finds that the requested adjustment is supported by documented market conditions affecting tungsten-carbide wear products and recommends approval of the requested price adjustment.