

Weekly IT Supply Chain Insights

Supply Chain & Operations Strategy | Executive Advisory

Clarity in Supply Chain & Operations.

Week Beginning October 11, 2026

The constraint is moving below the Tier 1 supplier. Memory commitments now reserve attractive output years forward, while optical suppliers are sold out through 2029 and remain exposed to indium-phosphide substrate controls. A sourcing dashboard can therefore show multiple approved module suppliers while all of them depend on the same committed wafer, laser or packaging pool.

Decision summary

Decision signal	Current evidence	Procurement action
NAND pricing turn	Consumer channels are weakening, but Q4 NAND contracts are still forecast +15% to +20%; enterprise SSD growth is accelerating.	Stagger coverage by application; do not use client spot weakness to price enterprise supply.
Optics capacity	Lumentum says parts are effectively sold out through early 2029; some products face 30% to 70% demand shortfalls.	Map module, laser, InP substrate and contractual allocation separately.
Memory interruption	Micron Taoyuan workers authorized a strike; no strike date has been set.	Request site-level BCP, WIP recovery, packaging alternatives and notice triggers.
Buyer register	S03 usable capacity and S02 shared-dependency checks now apply to memory and optics awards.	Use the updated Buyer Action Register before renewals or volume commitments.

Investigation 1 NAND Pricing Turn Watch

Question. When is NAND pricing likely to peak and begin a sustained decline?

Bottom line. A broad decline is not yet supported. Consumer NAND is the first area showing affordability limits and inventory resistance, but enterprise SSD demand and contracted output push the earliest plausible broad turn to late 2027. Enterprise pricing could remain firm into 2028 even if client and module channels soften earlier.

Evidence

- TrendForce projects Q4 2026 NAND contract prices up 15% to 20% quarter over quarter. It expects enterprise SSD to be the only NAND category with accelerating price growth because most incremental supply is already committed.
- The same evidence shows the leading crack: PC brands are reducing SSD capacity per system, client buyers are leaning on inventory, and module makers are resisting record wafer prices. That is demand destruction, not yet producer overcapacity.
- Micron disclosed Strategic Customer Agreements and a sharply larger backlog while its 2026 Form 10-K shows G9 NAND, 245TB QLC SSDs and PCIe Gen6 products moving into volume. The mix converts AI deployment and retrieval workloads into direct NAND demand.
- Kioxia introduced new hyperscale QLC E1.L drives on October 9. Product sampling does not prove volume demand, but it shows suppliers are directing technology and qualification resources toward high-capacity data-center products rather than chasing low-end channel volume.
- Samsung preliminary results indicate extraordinary memory profitability but moderating incremental price gains. A slowing rate of increase is an early cycle signal; it is not evidence of falling contract prices.

Causal mechanism. Consumer affordability reduces client bit demand first. Suppliers protect margin by allocating wafer starts, controllers, packaging and qualification effort toward enterprise products. Long-term customer commitments then delay the point at which nominal bit growth becomes free, qualified output.

Executive implications

- Cover critical enterprise SSD demand through mid-2027, but stagger expirations and retain product-substitution and volume-flex rights.
- Shorten or index client SSD commitments where channel inventory is adequate; negotiate enterprise and client products separately.
- Track producer utilization, client contract-to-spot spread, module inventory, controller lead times, enterprise qualification lead times and disclosed committed output monthly.
- Avoid inflexible take-or-pay coverage into 2028 unless the agreement includes resale, mix conversion, termination or downward volume bands.

Inference. The cycle is likely to turn first in client modules and uncontracted wafers, then later in enterprise SSD contracts. The probability of a near-term collapse fell this week; the probability of application-level divergence increased.

Unresolved. Comparable utilization and inventory data for Samsung, SK hynix/Solidigm, Kioxia/Sandisk and Chinese suppliers remain incomplete. Micron commitments cover more than NAND.

What would change our view. A sustained producer wafer-start increase, rising supplier inventory, widening client spot discounts that enter contract negotiations, or enterprise qualification lead times normalizing below one quarter would pull the turn earlier. New take-or-pay commitments and delayed fab ramps would push it later.

Investigation 2 Hidden Dependency and AI Displacement Watch

Question. Where can apparently diversified optical sourcing collapse into one upstream constraint?

Bottom line. The most immediate common dependency is not the transceiver assembler. It is the InP substrate, laser-die and committed-capacity chain. Lumentum reports optical output sold out through early 2029 while Chinese export controls have raised six-inch InP wafer prices and slowed alternative qualification.

Evidence

- Lumentum said on October 9 that optical products are effectively sold out through early 2029 and that some product lines cannot meet 30% of demand through 2028, with other gaps as high as 70% through next year.
- NVIDIA invested \$2 billion each in Lumentum and Coherent and signed multiyear purchase commitments and access rights. New fabs may increase nominal capacity while reducing what remains commercially available to unaffiliated buyers.
- Reuters reported that Chinese InP export controls drove average six-inch wafer prices to roughly \$5,000, up about 250%, and that new non-Chinese capacity typically takes two to three years to build.
- Coherent is expanding internal InP wafer capacity in Texas. That improves geographic resilience, but a buyer still needs product-level evidence that its qualified laser or module is assigned to that output.
- VSMC illustrates the same distinction at mature nodes: its new Singapore fab targets 44,000 300mm wafers per month by 2029, but risk production, process qualification, customer reservations and mix determine usable output before full capacity arrives.

Causal mechanism. Strategic customers fund capacity and receive future access; constrained substrates gate laser die; laser die gates optical engines; and qualification prevents rapid substitution. Multiple module vendors can therefore share one shortage and one allocation queue.

Executive implications

- For each critical optic, trace module assembler, optical engine, laser source, InP substrate source, fab, package/test site and committed allocation.
- Ask suppliers for quarterly qualified output available to the award after prior commitments, not factory nameplate capacity.
- Price active diversification separately from contingent qualification. A dormant alternate without allocation is not continuity coverage.
- Use the Buyer Action Register S02, S03 and R02 fields for optics, high-speed networking and custom accelerator platforms.

Inference. The 2027-2029 optical shortage can persist even while capacity announcements rise, because strategic commitments may absorb the first qualified output.

Unresolved. Public disclosures do not identify every common laser, substrate or packaging source used by OEM-qualified modules. Product-specific supplier evidence is required.

What would change our view. Verified uncommitted InP output, qualification of a materially independent substrate route, falling laser lead times, or cancellation of strategic demand would reduce the risk. Additional prepayments or purchase commitments would raise it.

Investigation 3 Taiwan Labor Risk Moves Into Memory Allocation

Question. Does Micron Taiwan labor action change near-term supply planning?

Bottom line. It creates an event risk, not a confirmed shortage. The practical issue is that already-tight memory markets have little buffer for an interruption at a major production and packaging base.

Evidence

- A Micron Taoyuan union vote authorized strike action with 99% support among 1,994 voters. The dispute concerns a permanent profit-sharing mechanism.
- No strike date has been announced. A rally is planned for October 19, and mediation continues at other Taiwan operations.
- Micron employs about 15,000 people in Taiwan and is ramping advanced DRAM and HBM products while customer agreements reserve output. Labor disruption would therefore interact with allocation rather than enter a loose market.

Causal mechanism. A production or packaging interruption consumes safety stock; committed customers compete for recovery output; and suppliers may protect strategic products first. Lower-priority or lower-margin parts can be displaced even if total company shipments recover.

Executive implications

- Confirm which part numbers and process steps touch Taoyuan or Taichung and whether the alternate route is already customer-qualified.
- Set notification triggers for work stoppage, WIP loss, cycle-time extension and allocation changes.
- Do not overbuy solely on strike authorization; secure evidence and options instead of converting uncertainty into excess inventory.

Inference. The event matters more as an allocation stress test than as a forecast of a strike.

Unresolved. The union has not published the scope or timing of any work stoppage, and Micron has not disclosed part-level contingency plans.

What would change our view. A settlement before October 19 would lower the event risk. A strike notice, production change, customer allocation letter or longer lead times would raise it immediately.

Component and market reference

Market	Latest verified signal	Interpretation
NAND contracts	+15% to +20% QoQ forecast for Q4 2026	Still rising; enterprise stronger than client.
Conventional DRAM	+10% to +15% QoQ forecast for Q4 2026	Increase moderating, supply remains tight.
Enterprise SSD	>80% bit-demand growth projected for 2026	Qualification and commitments dominate open supply.
Optical products	Lumentum effectively sold out through early 2029	Nominal expansions may already be assigned.
Mature-node capacity	VSMC risk production; 44k 300mm wafers/month by 2029	Useful future option, not immediate free output.

Buyer Action Register connection

Before any memory, optics, networking or AI-system award, apply S02 shared upstream dependency, S03 usable qualified capacity, S04 total commercial exposure and R02 alternate activation. The updated register converts these findings into evidence requests, owners and decision triggers.

Sources and verification notes

Evidence, management statements, market estimates and BK Consulting judgments are separated in the text. Sources were accessed October 11, 2026. Legal status should be checked again at the transaction or award date.

[1] Micron 2026 Form 10-K - <https://www.sec.gov/Archives/edgar/data/723125/000072312526000023/mu-20260903.htm>

[2] Micron fiscal Q4 2026 results - <https://investors.micron.com/financials/quarterly-results/default.aspx>

[3] TrendForce Q4 2026 memory outlook - <https://www.trendforce.com/presscenter/news/20260930-13258.html>

[4] Kioxia October 9 product release - <https://www.kioxia.com/>

[5] Lumentum capacity report, October 9 - <https://www.barrons.com/articles/lumentum-stock-ai-optical-component-shortages-b2580d80>

[6] NVIDIA-Lumentum strategic partnership - <https://nvidianews.nvidia.com/news/nvidia-announces-strategic-partnership-with-lumentum-to-develop-state-of-the-art-optics-technology>

[7] Reuters InP supply-chain investigation - <https://www.reuters.com/world/china/chinas-control-over-indium-phosphide-exports-threatens-ai-data-centre-rollout-2026-06-11/>

[8] Reuters Micron Taiwan labor vote - <https://www.reuters.com/business/world-at-work/microns-taoyuan-union-taiwan-secures-authorisation-strike-2026-10-07/>

[9] NXP VSMC opening - <https://media.nxp.com/news-releases/news-release-details/vsmc-celebrates-grand-opening-its-first-300mm-fab-singapore>