Efficient Agricultural Movement transportation issues & solutions facing the industry

Brad Thrasher
Vice President – Agricultural
Union Pacific Railroad
CGFA is Critically Important to our business

- 5-year $1.4B investment in CA improves track, capacity, and service
- CA has 3,303 miles of track and 4,357 employees
- Ag is one of top commodities handled into and out of CA for UP
- Of all Ag business, ~20% terminates or originates in CA
- UP feeds approximately 20.7M GCAU per year in CA
- CA represents ~30% of UP feed demand

UP Feed to CA Trending Higher Over Time
Diverse routes / access to CA provide flexibility & protection

Feather River Canyon
Donner Pass
South Central
Sunset Corridor
PNW
Superior Access to Feed Supply

Over 60 origin shuttle options in KS and NE ideal for CA destination

>15 feed sources delivered to CA

Top 5:
1) Corn 2) Soybean Meal 3) Canola Meal 4) Gluten Feed 5) DDGs
**Significant Q1 Weather Impact**

- **Extreme Cold & Heavy Snowfall in the Midwest & PNW, Followed by Catastrophic Flooding**
  - 700 new temperature records set during Midwest “Polar Vortex”
  - Snow records across Midwest in “100 Year Winter”
  - Bomb Cyclone created record low-pressure in CO
  - 38 new river record crests on Platte, Missouri, Loup rivers

- **Significant Track Outages, Including East/West Mainline for 13 Days**

- **Network Fluidity Negatively Impacted**

- **Team Worked Around the Clock to Safely and Efficiently Restore Operations**

25 subdivisions out March 13-31

*including Central Corridor March 13-25*
Recovery Efforts In Action

- Hauled in 137k tons of material to rebuild tracks and roads (Equivalent to the weight of 228 Steam locomotives)
- Operating and Engineering teams working around the clock to assess damage and make repairs
- Maintenance of Way crews transported equipment and resources once water receded
- 24/7 Flood Task Force monitored the situation and worked with impacted customers
- Rerouted traffic and used all alternative routes available to the maximum extent possible
- Took precautionary action to protect Union Pacific and customer equipment

- Gave priority to Feed customers for limited slot allocation per day
- Dedicated M&S resources at HDC for 2 weeks, every day all day
- Helped whole organization to understand importance of feed
Preparing for the Future
Working together to prevent, mitigate, & recover

UP

• Organization understands feed industry is reliant on railroads to deliver
  – CA is largest dairy state, top 10 state for cattle on feed and poultry & egg production, limited local feed options

• UP prioritizes living organisms which means feed!

• Constantly innovating and using technology to prevent, mitigate, and recover quickly

Customers

• Understand that we are a good machine with good options, but we can’t 100% avoid issues when operating an outdoor warehouse

• How you can help:
  – Best thing to do is to build up inventory going into winter
  – Keep open clear lines of communication
  – Provide accurate run-out dates so UP is able to prioritize effectively
  – Practice cooperation & flexibility

Working together to prevent, mitigate, & recover

Preparing for the Future
Unified Plan 2020

Objectives

• Simplify Business Model for Greater Reliability

• Focus on Moving Cars vs. Trains

• Utilize General-Purpose Trains by Blending Existing Train Services

• Develop Plan with and by Those Closest to the Work

COMMUNICATE PROACTIVELY
With Customers
Unified Plan 2020
What Customers Can Expect

Unified Plan 2020
Focus on Moving Cars
Minimized Car Dwell
Scheduled Service
Improved Locomotive & Crew Availability

Customer Benefits
More Reliable & Predictable Service
Consistent Supply Chain
Less Carrying Costs
Reduced Failure Costs

Real Examples:
• Consistent Day of Week Service
• Less Rail Cars
• Improved Customer Crew Resources and Productivity
Speeding Up the Network

Mutually Improving Asset Utilization

Providing More Reliable Service

Improving Your Supply Chain

Freight Car Velocity

Car Trip Plan Compliance

Operating Inventory

Terminal Dwell
UP 2020 Key Performance Indicators: Progress!

**Ag Manifest Performance**

System Stats
Q1 2019 compared to Q1 2018

- **Car Trip Plan Compliance**: 62%
  - Delivery consistency
  - +2 points

- **Freight Car Velocity**: 185 daily miles/car
  - Faster car cycle time
  - +7%

- **Terminal Dwell**: 26.6 hours
  - Reduced time in yards,
  - Fewer cars online
  - -19%
Working Collaboratively With Customers

- Customer Pre-Blocking
- Unit to Manifest Service Conversions
- Customer Notifications

WORKING COLLABORATIVELY WITH CUSTOMERS
Improving Customer Experience

- Tariff Simplification: 600 Pages Down to 30 Pages
- Freight Claims Self-Service
- Shipment Visibility
- Proactive Notifications:
  - You Are Next
  - Local Service Today

Ease of Doing Business
Self Service
Faster Response Time
Improved Communication
Our Journey with Unified Plan 2020

Fully Engaged and Focused Team

Walking with Customers Throughout All Phase Cutovers

Committed to Deliver Reliable Service
UP & CGFA Working Together

• Superior product with the most options
• Resilient network
• Demonstrate care by prioritizing feed
• Appreciate your support in managing through inevitable future interruptions
  – Don’t expect us to be perfect
  – Build stocks
  – Clear lines of communication
  – Accurate run-out dates
  – Cooperate
• You can feel good about partnering with UP and building with us in the future!