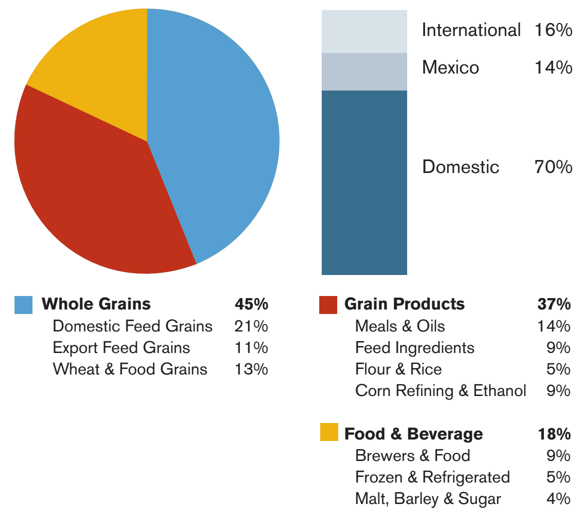
Agricultural

2008 Carloads



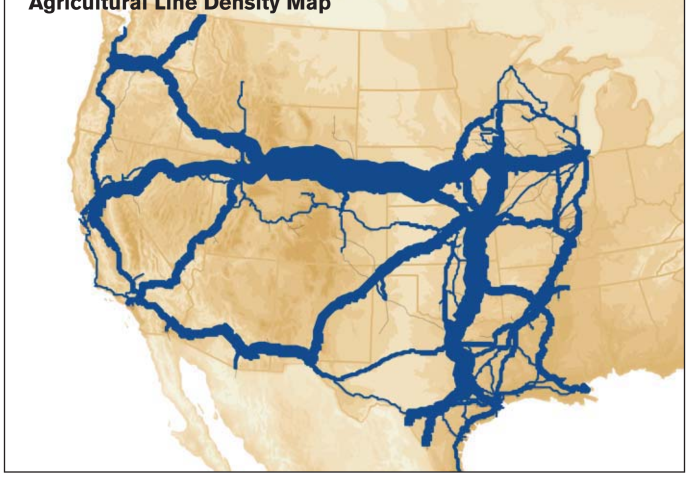
Commodity Profile

Agricultural transportation, including whole grains, commodities produced from these grains, and food and beverage products, provided 18 percent of the Railroad's 2008 freight revenue. With access to most major grain markets, Union Pacific provides a critical link between the Midwest and western producing areas and export terminals in the PNW and Gulf Coast ports, as well as Mexico. Unit shuttle trains transport a single commodity efficiently between producers and export terminals or domestic markets. UP also serves significant domestic markets, including grain processors, animal feeders and ethanol producers in the Midwest, West, South and Rocky Mountain states.

Union Pacific owns and operates the largest refrigerated boxcar fleet in the industry, providing a competitive advantage that leverages the Company's unique franchise. Produce Railexpress and Express Lane are UP's premium perishables service offerings. Produce Railexpress carries fresh produce from the West Coast to New York. Express Lane moves dairy products, canned goods, wine, frozen foods and some fresh produce from the West Coast to destinations in the East and Southeast. California and Washington, the states directly served by these services, produce over 60 percent of the nation's fresh fruits and vegetables. Additionally, the Railroad transports frozen meat and poultry from the Midwest and Mid-South to the West Coast for export.

Through alliances with other railroads, UP considers Canada and Mexico important extensions of its domestic markets. Southbound shipments of feed grains, wheat, soybean meal, DDGS and rice comprise nearly 70 percent of Agricultural carloads to and from Mexico. Shipments of beer account for most of the northbound traffic into the U.S.

Agricultural Line Density Map



Lane density based on carloadings. Line thickness depicts traffic density.

2009 Market Drivers

Agricultural Products reported record revenue in 2008. Volumes are expected to be lower in 2009 due to weaker export demand, reduced animal feeding and less soybean processing.

Weaker U.S. and world economies, and more abundant non-U.S. grain supplies softened the demand for food and bio-fuel based goods produced in the U.S. Livestock inventories for the first quarter of 2009 were about 5 percent below the same period last year. This reduction translates into less animal feeding of corn and other protein-based feeds such as soybean meal.

Through March 2009, export corn sales for the first seven months of the 2008/2009 crop year came in 34 percent below last year's levels. Export wheat sales for the first ten months of the 2008/2009 crop year declined 23 percent year-over-year. Although export soybeans for the first seven months of the 2008/2009 crop year were 10 percent higher than last year, soybean crushing for the first six months of the 2008/2009 crop year was 10 percent below the same period last year. The USDA expects soybean crush to finish the 2008/2009 crop year down 9 percent from last year. At the same time, the overall UDSA agricultural outlook calls for improved conditions in the last half of 2009, and U.S. grain production is the key variable behind this expectation. While overall production levels in 2009 are projected to be lower than 2008, the results should depict a more normal year for grain volumes.

Ethanol is expected to deliver continued year-over-year volume growth for Union Pacific. However, as the market begins to mature, the annual growth rate should slow. As of March 2009, the annualized rate of ethanol blending was about 5 percent below the mandated levels of The Energy Independence and Security Act of 2007. As with grain markets, ethanol volumes are forecasted to increase in the latter part of 2009.

Amid some of the overall economic uncertainty, the refrigerated markets show opportunity. The Produce Railexpress service should continue to grow in 2009, with a second California train starting. Additional opportunities to transport frozen meat for export as well as domestic produce are also anticipated.

Paul Hammes,
VP & GM Agricultural

How has your team adjusted to the current economic situation?

Agricultural demand in the first quarter of 2009 has been weak. Animal feeding, grain exports, soybean processing and ethanol production levels are all below industry projections. However, demand for these commodities should begin to increase in the last half of 2009. The key variable for 2009 is the number of acres of corn, soybeans and wheat that are planted, as well as the growing conditions. Union Pacific has adjusted to these lower volumes with improved service and resource availability, allowing us to secure additional refrigerated business for both meat exports and U.S. produce markets.

What is the biggest opportunity in your business group over the next 2 to 3 years?

Future opportunities will include continued development of our infrastructure to support ethanol production and growth in our Produce Railexpress Unit Train service. Corn-based ethanol demand should grow another 4.5 billion gallons per year (up 42 percent) by 2015 due to the government mandate. A good portion of the new demand will come from California and Texas. In 2010, when California extends its ethanol mandate from 5 to 10 percent, Union Pacific expects to see additional opportunities to supply corn to existing forward ethanol plants. These plants produce ethanol closer to consumption areas and account for more than 300 million gallons of annual production capacity. The Produce Railexpress service continues to build momentum in the produce markets of Washington and California while increasing its demand base into the Northeast. This consistent and truck-competitive service makes it a very viable product with strong growth potential.

Annual Summary by Quarter - Agricultural

	2008					2007					2006				
	1st	2nd	3rd	4th	Total	1st	2nd	3rd	4th	Total	1st	2nd	3rd	4th	Total
Freight Revenue (millions of dollars)	756	778	848	792	3,174	611	605	670	719	2,605	558	562	595	670	2,385
Revenue Ton-Miles (millions)	22,485	22,111	22,431	21,560	88,588	19,249	18,935	20,613	21,735	80,532	20,085	19,756	19,793	21,378	81,012
Revenue Carloads (thousands)	240	236	243	228	947	219	212	232	239	902	234	225	227	237	923
Average Revenue Per Car (dollars)	3,151	3,301	3,486	3,472	3,352	2,793	2,855	2,888	3,006	2,888	2,386	2,494	2,626	2,825	2,584