

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES
EXCHANGE Act of 1934

FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 1999

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES
EXCHANGE ACT OF 1934

FOR THE TRANSITION PERIOD FROM _____ TO _____

COMMISSION FILE NUMBER 1-12930

AGCO CORPORATION

(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

Delaware (State of incorporation) 58-1960019 (I.R.S. Employer Identification No.)

4205 RIVER GREEN PARKWAY
DULUTH, GEORGIA 30096

(ADDRESS OF PRINCIPAL EXECUTIVE
OFFICES INCLUDING ZIP CODE)

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE: (770) 813-9200

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was REQUIRED TO FILE SUCH REPORTS), AND (2) HAS BEEN SUBJECT TO SUCH FILING REQUIREMENTS FOR THE PAST 90 DAYS. YES X NO

Indicate the number of shares outstanding of each of the issuer's classes of common stock as of the latest practicable date.

Common stock par value \$.01 per share: 59,545,781 shares outstanding as of September 30, 1999.

AGCO CORPORATION AND SUBSIDIARIES

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AGCO CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(in millions, except share data)

	September 30, 1999 ----- (Unaudited)	December 31, 1998 -----
ASSETS		
Current Assets:		
Cash and cash equivalents.....	\$ 18.0	\$ 15.9
Accounts and notes receivable, net.....	855.6	1,016.3
Inventories, net.....	645.8	671.6
Other current assets.....	99.2	86.7
	-----	-----
Total current assets.....	1,618.6	1,790.5
Property, plant and equipment, net.....	329.9	417.6
Investment in affiliates.....	102.8	95.2
Other assets.....	103.4	76.6
Intangible assets, net.....	316.0	370.5
	-----	-----
Total assets.....	\$ 2,470.7	\$ 2,750.4
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable.....	\$ 235.1	\$ 287.0
Accrued expenses.....	413.1	428.0
Other current liabilities.....	31.8	45.6
	-----	-----
Total current liabilities.....	680.0	760.6
Long-term debt.....	850.7	924.2
Postretirement health care benefits.....	24.8	24.5
Other noncurrent liabilities.....	46.7	59.0
	-----	-----
Total liabilities.....	1,602.2	1,768.3
	-----	-----
Stockholders' Equity		
Common stock: \$0.01 par value, 150,000,000 shares authorized, 59,545,781 and 59,535,921 shares issued and outstanding at September 30, 1999 and December 31, 1998, respectively.....	0.6	0.6
Additional paid-in capital.....	427.4	427.3
Retained earnings.....	649.8	635.8
Unearned compensation.....	(6.2)	(11.1)
Accumulated other comprehensive income.....	(203.1)	(70.5)
	-----	-----
Total stockholders' equity.....	868.5	982.1
	=====	=====
Total liabilities and stockholders' equity.....	\$ 2,470.7	\$ 2,750.4
	=====	=====

See accompanying notes to condensed consolidated financial statements.

AGCO CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(unaudited and in millions, except per share data)

	Three Months Ended September 30,	
	1999	1998
Net sales.....	\$ 570.5	\$ 665.7
Cost of goods sold.....	473.4	534.5
Gross profit.....	97.1	131.2
Selling, general and administrative expenses.....	55.7	71.2
Engineering expenses.....	11.2	13.9
Income from operations.....	30.2	46.1
Interest expense, net.....	13.3	17.3
Other expense, net.....	8.7	6.4
Income before income taxes and equity in net earnings of affiliates.....	8.2	22.4
Provision for income taxes.....	3.8	8.2
Income before equity in net earnings of affiliates.....	4.4	14.2
Equity in net earnings of affiliates.....	3.1	3.7
Net income.....	\$ 7.5	\$ 17.9
Net income per common share:		
Basic.....	\$ 0.13	\$ 0.31
Diluted.....	\$ 0.13	\$ 0.30
Weighted average number of common and common equivalent shares outstanding:		
Basic.....	58.8	58.3
Diluted.....	59.7	59.6
Dividends declared per common share.....	\$ 0.01	\$ 0.01

See accompanying notes to condensed consolidated financial statements.

AGCO CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(unaudited and in millions, except per share data)

	Nine Months Ended September 30,	
	1999	1998
Net sales.....	\$ 1,815.6	\$ 2,183.3
Cost of goods sold.....	1,528.4	1,751.1
Gross profit.....	287.2	432.2
Selling, general and administrative expenses.....	170.0	202.9
Engineering expenses.....	34.1	42.1
Income from operations.....	83.1	187.2
Interest expense, net.....	45.0	50.6
Other expense, net.....	24.5	20.9
Income before income taxes and equity in net earnings of affiliates.....	13.6	115.7
Provision for income taxes.....	5.8	42.8
Income before equity in net earnings of affiliates.....	7.8	72.9
Equity in net earnings of affiliates.....	8.0	10.0
Net income.....	\$ 15.8	\$ 82.9
Net income per common share:		
Basic.....	\$ 0.27	\$ 1.38
Diluted.....	\$ 0.27	\$ 1.35
Weighted average number of common and common equivalent shares outstanding:		
Basic.....	58.6	60.1
Diluted.....	59.6	61.6
Dividends declared per common share.....	\$ 0.03	\$ 0.03

See accompanying notes to condensed consolidated financial statements.

AGCO CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited and in millions)

	Nine Months Ended September 30,	
	1999	1998
Cash flows from operating activities:		
Net income.....	\$ 15.8	\$ 82.9
Adjustments to reconcile net income to net cash provided by (used for) operating activities:		
Depreciation and amortization.....	42.7	42.8
Equity in net earnings of affiliates, net of cash received.....	(7.5)	(10.0)
Deferred income tax (benefit) provision.....	(23.2)	4.8
Amortization of intangibles.....	11.1	9.6
Amortization of unearned compensation.....	4.9	6.8
Changes in operating assets and liabilities, net of effects from purchase/sale of businesses:		
Accounts and notes receivable, net.....	118.8	(65.3)
Inventories, net.....	(4.2)	(122.3)
Other current and noncurrent assets.....	(31.9)	(17.6)
Accounts payable.....	(37.8)	(96.9)
Accrued expenses.....	(10.4)	(25.1)
Other current and noncurrent liabilities.....	(3.2)	1.9
Total adjustments.....	59.3	(271.3)
Net cash provided by (used for) operating activities.....	75.1	(188.4)
Cash flows from investing activities:		
Purchase of property, plant and equipment.....	(29.4)	(39.5)
Proceeds from sale/leaseback of property.....	18.7	--
(Purchase) sale of business, net.....	(.6)	(40.9)
Net cash used for investing activities.....	(11.3)	(80.4)
Cash flows from financing activities:		
(Repayments of) proceeds from long-term debt, net.....	(58.5)	361.3
Proceeds from issuance of common stock.....	--	0.4
Repurchases of common stock.....	--	(88.1)
Dividends paid on common stock.....	(1.8)	(1.8)
Net cash (used for) provided by financing activities.....	(60.3)	271.8
Effect of exchange rate changes on cash and cash equivalents.....	(1.4)	0.9
Increase in cash and cash equivalents.....	2.1	3.9
Cash and cash equivalents, beginning of period.....	15.9	31.2
Cash and cash equivalents, end of period.....	\$ 18.0	\$ 35.1

See accompanying notes to condensed consolidated financial statements.

AGCO CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

1. BASIS OF PRESENTATION

The condensed consolidated financial statements of AGCO Corporation and subsidiaries (the "Company" or "AGCO") included herein have been prepared by the Company pursuant to the rules and regulations of the Securities and Exchange Commission. In the opinion of management, the accompanying unaudited condensed consolidated financial statements reflect all adjustments, which are of a normal recurring nature, necessary to present fairly the Company's financial position, results of operations and cash flows at the dates and for the periods presented. These condensed consolidated financial statements should be read in conjunction with the Company's audited financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 1998. Interim results of operations are not necessarily indicative of results to be expected for the fiscal year.

2. NONRECURRING EXPENSES

In the fourth quarter of 1998, the Company recorded nonrecurring expenses of \$40.0 million primarily related to costs associated with reductions in the Company's worldwide permanent workforce. As of September 30, 1999, the Company had terminated approximately 1,380 of the 1,400 employees identified for termination. Of the \$40.0 million total expense, \$30.4 million had been incurred as of September 30, 1999.

3. LONG-TERM DEBT

Long-term debt consisted of the following at September 30, 1999 and December 31, 1998 (in millions):

	September 30, 1999	December 31, 1998
	-----	-----
Revolving credit facility.....	\$ 585.8	\$ 661.2
Senior subordinated notes.....	248.4	248.3
Other long-term debt.....	16.5	14.7
	-----	-----
	\$ 850.7	\$ 924.2
	=====	=====

The Company's revolving credit facility allows for borrowings of up to \$1.0 billion. As of September 30, 1999, \$585.8 million was outstanding under the revolving credit facility and available borrowings were \$414.0 million.

4. NET INCOME PER COMMON SHARE

The computation, presentation and disclosure requirements for earnings per share are presented in accordance with Statement of Financial Accounting Standards No. 128 ("SFAS 128"), "Earnings per Share." Basic earnings per common share is computed by dividing net income by the weighted average number of common shares outstanding during each period. Diluted earnings per common share assumes exercise of outstanding stock options and vesting of restricted stock when the effects of such assumptions are dilutive.

A reconciliation of net income and the weighted average number of common shares outstanding used to calculate basic and diluted earnings per common share for the three and nine months ended September 30, 1999 and 1998 is as follows (in millions, except per share data):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	1999	1998	1999	1998
Basic Earnings Per Share				
Weighted average number of common shares outstanding	58.8	58.3	58.6	60.1
Net income	\$ 7.5	\$ 17.9	\$ 15.8	\$ 82.9
Net income per common share.....	\$ 0.13	\$ 0.31	\$ 0.27	\$ 1.38
Diluted Earnings Per Share				
Weighted average number of common shares outstanding.....	58.8	58.3	58.6	60.1
Assumed vesting of restricted stock.....	0.8	1.2	0.9	1.3
Assumed exercise of outstanding stock options	0.1	0.1	0.1	0.2
Weighted average number of common and common equivalent shares outstanding.....	59.7	59.6	59.6	61.6
Net income.....	\$ 7.5	\$ 17.9	\$ 15.8	\$ 82.9
Net income per common share.....	\$ 0.13	\$ 0.30	\$ 0.27	\$ 1.35

5. INVENTORIES

Inventories are valued at the lower of cost or market using the first-in, first-out method. Market is net realizable value for finished goods and repair and replacement parts. For work in process, production parts and raw materials, market is replacement cost.

Inventory balances at September 30, 1999 and December 31, 1998 were as follows (in millions):

	September 30, 1999	December 31, 1998
Finished goods.....	\$ 293.4	\$ 271.2
Repair and replacement parts.....	241.3	256.7
Work in process, production parts and raw materials.....	176.8	222.6
Gross inventories.....	711.5	750.5
Allowance for surplus and obsolete inventories.....	(65.7)	(78.9)
Inventories, net.....	\$ 645.8	\$ 671.6

6. COMPREHENSIVE INCOME

The Company follows the provisions of Statement of Financial Accounting Standards No. 130, "Reporting Comprehensive Income," which requires companies to disclose components of comprehensive income, defined as the total of net income and all other nonowner changes in equity. Total comprehensive income (loss) for the three and nine months ended September 30, 1999 and 1998 was as follows (in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	1999	1998	1999	1998
Net income.....	\$ 7.5	\$ 17.9	\$ 15.8	\$ 82.9
Other comprehensive income (loss):				
Foreign currency translation adjustments.....	(6.6)	48.0	(132.6)	19.6
Total comprehensive income (loss).....	\$ 0.9	\$ 65.9	\$ (116.8)	\$ 102.5

7. SEGMENT REPORTING

The Company has four geographic reportable segments: North America; South America; Europe/Africa/Middle East; and Asia/Pacific. Each segment distributes a full range of agricultural equipment and related replacement parts. The Company evaluates segment performance primarily based on income from operations. Sales for each segment are based on the location of the third-party customer. All intercompany transactions between the segments have been eliminated. The Company's selling, general and administrative expenses and engineering expenses are charged to each segment based on the region where the expenses are incurred. As a result, the components of operating income for one segment may not be comparable to another segment. Segment results for the three and nine months ended September 30, 1999 and 1998 are as follows (in millions):

	North America	South America	Europe/Africa Middle East	Asia/Pacific	Consolidated
Three Months ended September 30:					
1999					
Net Sales	\$ 148.1	\$ 52.1	\$ 344.2	\$ 26.1	\$ 570.5
Income from operations	(3.4)	(2.4)	33.7	4.2	32.1
1998					
Net Sales	\$ 232.2	\$ 80.0	\$ 332.3	\$ 21.3	\$ 665.8
Income from operations	18.0	3.2	23.5	4.3	49.0
Nine Months ended September 30:					
1999					
Net Sales	\$ 467.2	\$ 155.8	\$ 1,124.8	\$ 67.8	\$ 1,815.6
Income from operations	(6.2)	(7.0)	94.1	9.0	89.9
1998					
Net Sales	\$ 725.5	\$ 249.8	\$ 1,142.2	\$ 65.9	\$ 2,183.4
Income from operations	67.8	14.2	103.1	11.5	196.6

A reconciliation from the segment information to the consolidated balances for income from operations is set forth below (in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	1999	1998	1999	1998
Segment income from operations.....	\$ 32.1	\$ 49.0	\$ 89.9	\$ 196.6
Restricted stock compensation expense.....	(1.9)	(2.9)	(6.8)	(9.4)
Consolidated income from operations.....	\$ 30.2	\$ 46.1	\$ 83.1	\$ 187.2

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

GENERAL

The Company's operations are subject to the cyclical nature of the agricultural industry. Sales of the Company's equipment have been and are expected to continue to be affected by changes in net cash farm income, farm land values, weather conditions, the demand for agricultural commodities, commodity prices and general economic conditions. The Company records sales when the Company ships equipment and replacement parts to its independent dealers, distributors or other customers. To the extent possible, the Company attempts to ship products to its dealers and distributors on a level basis throughout the year to reduce the effect of seasonal demands on its manufacturing operations and to minimize its investment in inventory. Retail sales by dealers to farmers are highly seasonal and are a function of the timing of the planting and harvesting seasons. As a result, the Company's net sales have historically been the lowest in the first quarter and have increased in subsequent quarters.

RESULTS OF OPERATIONS

NET INCOME

The Company recorded net income for the three months ended September 30, 1999 of \$7.5 million compared to net income of \$17.9 million for the same period in 1998. Net earnings per common share on a diluted basis were \$0.13 and \$0.30 for the third quarters of 1999 and 1998, respectively. Net income for the first nine months of 1999 was \$15.8 million compared to \$82.9 million for the same period in 1998. Net income per common share on a diluted basis was \$0.27 and \$1.35 for the first nine months of 1999 and 1998, respectively. The results for the three months and nine months ended September 30, 1999 were negatively impacted by lower net sales and operating margins caused by unfavorable industry conditions in many markets throughout the world, the negative impact of currency translation, unfavorable absorption of fixed manufacturing overhead costs, an unfavorable mix of products sold and lower price realization due to a more competitive pricing environment.

RETAIL SALES

High global commodity stock levels and reduced export demand continue to result in lower commodity prices compared to prior periods, adversely affecting agricultural equipment demand in most major markets. These unfavorable industry conditions have negatively impacted equipment demand since the third quarter of 1998.

In the United States and Canada, industry unit retail sales of tractors and combines for the first nine months of 1999 increased approximately 2.4% and decreased approximately 52.0%, respectively, compared to the same period in 1998. Industry retail sales declines were significant in the high horsepower tractor segment but were offset by strong increases in the under 40 horsepower segment. Company unit retail sales of tractors in the United States and Canada decreased compared to the same period in 1998, and Company unit retail sales of combines decreased less than the industry decrease.

In Western Europe, industry unit retail sales of tractors experienced mixed results with an overall increase of approximately 2.8% for the first nine months of 1999 as compared to the prior year. Decreases in industry unit retail sales in Scandinavia and Spain were offset to some extent by increases in the UK, France and Italy. Retail sales in Germany for the first nine months were slightly above the same period in 1998. Company unit retail sales results for the nine months ended September 30, 1999 were also mixed with an overall decrease compared to the same period in 1998. However, the Company's retail sales for the third quarter of 1999 improved relative to the industry due to favorable acceptance of the Company's new Massey Ferguson high horsepower tractor line which was introduced during 1999.

Industry unit sales of tractors in South America for the first nine months of 1999 decreased approximately 17.6% compared to the same period in 1998 with a small increase in the major market of Brazil offset by significant declines in Argentina and other South American markets due to low commodity prices, economic uncertainty and tightening credit. Retail sales in the Brazilian market declined 11% in the third quarter, offsetting first half increases, due to inflationary pressures and higher farmer input costs. Company unit retail sales of tractors in South America decreased less than the industry.

In other international markets, industry and Company retail sales decreased compared to the prior year in most markets including Africa, the Middle East and Australia.

STATEMENTS OF INCOME

Net sales for the third quarter of 1999 were \$570.5 million compared to \$665.7 million for the same period in 1998. Net sales for the first nine months of 1999 were \$1,815.6 million compared to \$2,183.3 for the prior year. The decrease in net sales for the third quarter and the first nine months primarily reflects lower retail demand in certain markets throughout the world. Net sales were also impacted by the negative currency translation effect of the strengthening dollar against the Euro and the Brazilian Real. This impact was partially offset for the first nine months of 1999 by the acquisitions completed in 1998 of Massey Ferguson Argentina, Spra-Coupe and Willmar, which were only partially included in the 1998 results. Excluding the impact of currency translation and acquisitions, net sales for the third quarter and first nine months of 1999 decreased approximately 9.3% and 14.8%, respectively, compared to the prior year periods.

Regionally, net sales in North America decreased \$84.1 million, or 36.2%, and \$258.3 million, or 35.6% for the third quarter and first nine months of 1999, respectively, compared to the same periods in the prior year. The decrease is primarily due to unfavorable market conditions and the Company's planned efforts to lower dealer inventories by selling to dealers at a rate less

than expected retail demand. The year to date decline was partially offset by the impact of the Spra-Coupe and Willmar acquisitions. In the Europe/Africa/Middle East region, net sales increased \$11.9 million, or 3.6%, and decreased \$17.4 million, or 1.5% for the third quarter and first nine months of 1999, respectively, compared to the same periods in the prior year. Net sales for the first nine months of 1999 were lower than the prior year primarily due to unfavorable market conditions in the markets outside Western Europe and unfavorable foreign currency translation. These negative impacts were offset in the third quarter of 1999 by higher sales of combines and high horsepower tractors in Western Europe. Net sales in South America decreased approximately \$27.9 million, or 34.9%, and \$94.0 million, or 37.6% for the third quarter and first nine months of 1999, respectively, compared to the same periods in the prior year primarily due to unfavorable industry conditions and to the negative impact of foreign currency translation due to the weakening of the Brazilian Real compared to the U.S. dollar. In the East Asia/Pacific region, net sales increased approximately \$4.8 million, or 22.5%, and \$1.9 million, or 2.9% for the third quarter and first nine months of 1999, respectively, compared to the same periods in the prior year primarily due to a slight improvement in market conditions.

Gross profit was \$97.1 million (17.0% of net sales) for the third quarter of 1999 compared to \$131.2 million (19.7% of net sales) for the same period in the prior year. Gross profit for the first nine months of 1999 was \$287.2 million (15.8% of net sales) compared with \$432.2 million (19.8% of net sales) for the same period in 1998. Gross margins were negatively impacted for the quarter and year to date results primarily due to: (1) lower production overhead absorption resulting from lower production volumes; (2) unfavorable sales mix of higher margin products; and (3) lower price realization in certain market segments.

Selling, general and administrative expenses ("SG&A expenses") for the third quarter of 1999 were \$55.7 million (9.8% of net sales) compared to \$71.2 million (10.7% of net sales) for the same period in the prior year. For the first nine months of 1999, SG&A expenses were \$170.0 million (9.4% of net sales) compared to \$202.9 million (9.3% of net sales) for the same period in the prior year. While the Company's cost reduction efforts reduced SG&A expenses by \$15.5 million and \$32.9 million, respectively, for the third quarter and first nine months of 1999, SG&A expenses increased as a percentage of net sales primarily due to lower sales volumes in 1999 compared to 1998. Engineering expenses for the three and nine months ended September 30, 1999 were \$11.2 million (2.0% of net sales) and \$34.1 million (1.9% of net sales), respectively, compared to \$13.9 million (2.1% of net sales) and \$42.1 million (1.9% of net sales), respectively, for the same periods in the prior year.

Income from operations was \$30.2 million (5.3% of net sales) and \$83.1 million (4.6% of net sales) for the three and nine months ended September 30, 1999, respectively, as compared to \$46.1 million (6.9% of net sales) and \$187.2 million (8.6% of net sales), respectively, for the same periods in 1998. Operating income, as a percentage of net sales, was lower primarily because of lower gross profit margins.

Interest expense, net was \$13.3 million and \$45.0 million, respectively, for the three and nine months ended September 30, 1999 compared to \$17.3 million and \$50.6 million, respectively, for the same periods in 1998. The decrease in interest expense, net was primarily the result of lower effective interest rates in 1999 as well as lower average borrowings during the third quarter of 1999.

The Company recorded an income tax provision of \$3.8 million and \$5.8 million, respectively, for the three and nine months ended September 30, 1999 compared to \$8.2 million and \$42.8 million, respectively, for the same periods in 1998. The Company's effective tax rate for the third quarter increased to 46% from 37% recorded in the same period in 1998. This increase is attributable to losses in certain tax jurisdictions for which no benefit was recognized. The Company's effective tax rate for the nine month period was 43% in 1999 compared to 37% in 1998 due to the higher effective tax rate in the third quarter of 1999.

Equity in earnings of affiliates was \$3.1 million and \$8.0 million, respectively, for the three and nine months ended September 30, 1999 compared to \$3.7 million and \$10.0 million, respectively, for the same periods in 1998. The reduction in earnings was due to lower net income in the Company's Engine Joint Venture in Argentina and its retail finance joint ventures due to unfavorable market conditions.

LIQUIDITY AND CAPITAL RESOURCES

The Company's financing requirements are subject to variations due to seasonal changes in inventory and dealer receivable levels. Internally generated funds are supplemented when necessary from external sources, primarily the Company's revolving credit facility. The current lending commitment under the Company's revolving credit facility is \$1.0 billion with borrowings limited to the sum of 90% of eligible accounts receivable and 60% of eligible inventory. As of September 30, 1999, approximately \$585.8 million was outstanding under the Company's revolving credit facility and available borrowings were approximately \$414.0 million.

The Company's working capital requirements are seasonal, with investments in working capital typically building in the first half of the year and then reducing in the second half of the year. The Company had \$938.6 million of working capital at September 30, 1999, a decrease of \$91.3 million from working capital of \$1,029.9 million at December 31, 1998. The decrease in working capital was primarily due to lower accounts receivables primarily related to the reduction of net sales during 1999 compared to 1998 and the planned reduction of North America dealer inventories.

Cash flow provided by operating activities was \$75.1 million for the nine months ended September 30, 1999 compared to a use of cash of \$188.4 million for the same period during 1998. The increase in cash flow provided by operating activities was primarily due to a reduction in the Company's receivable and inventory levels offset to some extent by lower net income, compared to the prior year. The improved cash flow compared to the prior year reflects the impact of the Company's initiatives to reduce receivable and inventory levels during 1999.

Capital expenditures for the nine months ended September 30, 1999 were \$29.4 million compared to \$39.5 million for the same period in 1998. The Company anticipates that additional capital expenditures for the remainder of 1999 will

range from approximately \$20.0 million to \$25.0 million and will primarily be used to support the development and enhancement of new and existing products as well as facility and equipment improvements. In the third quarter of 1999, the Company entered into a sale/leaseback transaction involving certain real property. The proceeds from the transaction of \$18.7 million were used to reduce outstanding borrowings under the Company's revolving credit facility.

The Company's debt to capitalization ratio was 49.5% at September 30, 1999 compared to 48.5% at December 31, 1998. Although the Company's indebtedness was reduced by \$73.5 million from December 31, 1998, the debt to capitalization ratio increased due to a negative cumulative translation adjustment to equity of \$132.6 million primarily related to the devaluation of the Brazilian Real and a weakening of the Euro relative to the U.S. dollar.

In October 1999, the Company's Board of Directors declared a dividend of \$0.01 per share of common stock for the third quarter of 1999. The declaration and payment of future dividends will be at the sole discretion of the Board of Directors and will depend upon the Company's results of operations, financial condition, cash requirements, future prospects, limitations imposed by the Company's credit facilities and other factors deemed relevant by the Company's Board of Directors.

The Company believes that available borrowings under the Company's revolving credit facility, available cash and internally generated funds will be sufficient to support its working capital, capital expenditures and debt service requirements for the foreseeable future.

The Company from time to time reviews and will continue to review acquisition and joint venture opportunities as well as changes in the capital markets. If the Company were to consummate a significant acquisition or elect to take advantage of favorable opportunities in the capital markets, the Company may supplement availability or revise the terms under its credit facilities or complete public or private offerings of equity or debt securities.

YEAR 2000

The Company has assessed the impact of the Year 2000 issue on its reporting systems and operations. Based on its assessment, the Company has developed a Year 2000 compliance plan, in which all key information systems are being tested and all non-compliant software or technology is being modified or replaced. This review included all information technology systems and embedded systems located in the Company's manufacturing equipment, facility equipment and in the Company's products. The Company is also reviewing the Year 2000 compliance status and compatibility of customers' and suppliers' systems which interface with the Company's systems or could impact the Company's operations.

The Company has substantially completed the necessary modifications to its information technology systems and expects to complete any remaining testing of its systems for Year 2000 compliance during the remainder of 1999. During 1998, the Company reviewed a majority of its embedded systems and identified a small percentage of systems with Year 2000 problems. All identified critical systems and a majority of non-critical systems with Year 2000 issues have been modified or replaced and complete testing on the remaining non-critical systems

will occur during the remainder of 1999. Based on the work completed to date, the Company estimates that the required costs to modify existing computer systems, applications and embedded systems will be approximately \$9.0 to \$10.0 million of which \$8.4 million has been incurred to date.

While the Company believes that its plans are adequate to ensure that the Year 2000 issue will not materially impact future operations, the risks of these plans not being adequate or the risk that the Company's major customers and suppliers do not modify or replace their affected systems could have a material adverse impact on the Company's results of operations or financial condition in the future. Failure by the Company or its customers or suppliers to resolve the Year 2000 problem could result in a temporary slowdown or cessation of manufacturing operations at one or more of the Company's facilities and a temporary inability of the Company to process some orders and to deliver some finished products to customers. The Company is currently identifying and considering various contingency options, to minimize the risks of any Year 2000 problems.

FORWARD LOOKING STATEMENTS

Certain information included in Management's Discussion and Analysis of Financial Condition and Results of Operations constitute forward looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934. Although the Company believes that the expectations reflected in such forward-looking statements are based upon reasonable assumptions, it can give no assurance that its expectations will be achieved, and actual results could differ materially from the results suggested by the forward-looking statements. Factors that could impact results include those described above under "General." Additionally, the Company's financial results are sensitive to movement in interest rates and foreign currencies, as well as general economic conditions, pricing and product actions taken by competitors, production disruptions and changes in environmental, international trade and other laws which impact the way in which it conducts its business.

ITEM 3: QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

FOREIGN CURRENCY RISK

The Company has significant manufacturing operations in the United States, the United Kingdom, France, Germany, Denmark and Brazil, and it purchases a portion of its tractors, combines and components from third party foreign suppliers primarily in various European countries and in Japan. The Company also sells products in over 140 countries throughout the world. The Company's most significant transactional foreign currency exposures are the British pound in relation to other European currencies and the U.S. dollar as well as the Canadian dollar in relation to the U.S. dollar. Fluctuations in the value of foreign currencies create exposures which can adversely affect the Company's results of operations.

The Company attempts to manage its transactional foreign exchange exposure by hedging identifiable foreign currency cash flow commitments arising from receivables, payables, and expected purchases and sales. Where naturally offsetting currency positions do not occur, the Company hedges certain of its exposures through the use of foreign currency forward contracts. The Company's hedging policy prohibits foreign currency forward contracts for speculative trading purposes. The Company's translation exposure resulting from translating the financial statements of foreign subsidiaries into U.S. dollars is not hedged. When practical, this translation impact is reduced by financing local operations with local borrowings.

INTEREST RATE RISK

The Company manages its debt structure and interest rate risk through the use of fixed and floating rate debt. The fixed rate debt is primarily the 8 1/2% Senior Subordinated Notes due 2006. The floating rate debt is primarily the January 1997 Credit Facility (see "Liquidity and Capital Resources"). The Company's net exposure to interest rate risk consists of its floating rate debt which is tied to changes in U.S. and European libor rates. To further minimize the effect of potential interest rate increases on floating rate debt in a rising interest rate environment, the Company has entered into an interest rate swap contract, which has the effect of converting a portion of the floating rate indebtedness to a fixed rate over a certain period of time.

PART II. OTHER INFORMATION

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

4.1 - Amendment dated as of March 1, 1999, to the Rights Agreement between the Company and SunTrust Bank (incorporated by reference to Form 8-A filing August 19, 1999).

27.1 - Financial Data Schedule - September 30, 1999 (electronic filing purposes only).

(b) Reports on Form 8-K

None

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on behalf by the undersigned thereunto duly authorized.

AGCO CORPORATION

Registrant

Date: November 12, 1999

/s/ Patrick S. Shannon

Patrick S. Shannon
Vice President and Chief
Financial Officer

EXHIBIT INDEX

Exhibit Number	Description	Sequentially Numbered Page
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27.1	Financial Data Schedule - September 30, 1999 (electronic filing purposes only).	--

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JAN-01-1999
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