UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 1998

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	58-1960019
(State of incorporation)	(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: 59,534,021 shares outstanding as of September 30, 1998.

AGCO CORPORATION AND SUBSIDIARIES

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Part I. Financial Information
Item 1. Financial Statements

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

	September 30, 1998	December 31, 1997
ASSETS	(Unaudited)	
Current Assets:		
Cash and cash equivalents	$ 35.1	$ 31.2
Accounts and notes receivable, net of allowances	1,075.0	978.7
Receivables from affiliates	26.8	18.5
Inventories, net	767.2	622.7
Other current assets	73.6	63.7
Total current assets	1,977.7	1,714.8
Property, plant and equipment, net	410.5	403.7
Investments in affiliates	102.1	87.6
Other assets	85.1	75.8
Intangible assets, net	356.6	339.0
Total assets	$ 2,932.0	$ 2,620.9
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	$ 274.1	$ 350.1
Payables to affiliates	5.0	17.4
Accrued expenses	423.7	430.0
Other current liabilities	34.2	33.0
Total current liabilities	737.0	830.5
Long-term debt	1,100.3	727.4
Postretirement health care benefits	24.6	24.5
Other noncurrent liabilities	58.6	46.9
Total liabilities	1,920.5	1,629.3
Stockholders' Equity:		
Common stock: $0.01 par value, 150,000,000 shares authorized, 59,534,021 and 62,972,423 shares issued and outstanding at September 30, 1998 and December 31, 1997, respectively	0.6	0.6
Additional paid-in capital	427.3	515.0
Retained earnings	658.7	577.6
Unearned compensation	(13.2)	(20.0)
Cumulative translation adjustment	(61.9)	(81.6)
Total stockholders' equity	1,011.5	991.6
Total liabilities and stockholders' equity	$ 2,932.0	$ 2,620.9

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,	
	1998	1997
Net sales	$ 665.7	$ 759.5
Cost of goods sold	534.5	590.0
Gross profit	131.2	169.5
Selling, general and administrative expenses	71.2	70.0
Engineering expenses	13.9	12.2
Nonrecurring expenses	-	4.9
Income from operations	46.1	82.4
Interest expense, net	17.3	13.5
Other expense, net	6.4	4.4
Income before income taxes and equity in net earnings of affiliates	22.4	64.5
Provision for income taxes	8.2	23.3
Income before equity in net earnings of affiliates	14.2	41.2
Equity in net earnings of affiliates	3.7	3.0
Net income	$ 17.9	$ 44.2
Net income per common share:		
Basic	$ 0.31	$ 0.72
Diluted	$ 0.30	$ 0.70
Weighted average number of common and common equivalent shares outstanding:		
Basic	58.3	61.6
Diluted	59.6	63.3
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,	
	1998	1997
Net sales	$ 2,183.3	$ 2,335.8
Cost of goods sold	1,751.1	1,856.2
Gross profit	432.2	479.6
Selling, general and administrative expenses	202.9	199.2
Engineering expenses	42.1	39.5
Nonrecurring expenses	-	12.6
Income from operations	187.2	228.3
Interest expense, net	50.6	40.7
Other expense, net	20.9	13.4
Income before income taxes, equity in net earnings of affiliates and extraordinary loss	115.7	174.2
Provision for income taxes	42.8	62.1
Income before equity in net earnings of affiliates and extraordinary loss	72.9	112.1
Equity in net earnings of affiliates	10.0	8.6
Income before extraordinary loss	82.9	120.7
Extraordinary loss, net of taxes	-	(2.1)
Net income	$ 82.9	$ 118.6
Net income per common share:		
Basic:		
Income before extraordinary loss	$ 1.38	$ 2.01
Extraordinary loss	-	(0.03)
Net income	$ 1.38	$ 1.98
Diluted:		
Income before extraordinary loss	$ 1.35	$ 1.95
Extraordinary loss	-	(0.03)
Net income	$ 1.35	$ 1.92
Weighted average number of common and common equivalent shares outstanding:		
Basic	60.1	60.0
Diluted	61.6	61.7
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,	
	1998	1997
Cash flows from operating activities:		
Net income	$ 82.9	$ 118.6
Adjustments to reconcile net income to net cash used for operating activities:		
Extraordinary loss, net of taxes	-	2.1
Depreciation and amortization	42.8	36.9
Equity in net earnings of affiliates, net of cash received	(10.0)	(8.6)
Deferred income tax provision	4.8	11.7
Amortization of intangibles	9.6	9.5
Amortization of unearned compensation	6.8	8.1
Changes in operating assets and liabilities, net of effects from purchase of businesses:		
Accounts and notes receivable, net	(65.3)	(126.7)
Inventories, net	(122.3)	(123.2)
Other current and noncurrent assets	(17.6)	3.4
Accounts payable	(96.9)	(19.7)
Accrued expenses	(25.1)	15.6
Other current and noncurrent liabilities	1.9	(11.4)
Total adjustments	(271.3)	(202.3)
Net cash used for operating activities	(188.4)	(83.7)
Cash flows from investing activities:		
(Purchase)/sale of businesses	(40.9)	(267.7)
Purchase of property, plant and equipment	(39.5)	(37.3)
Net cash used for investing activities	(80.4)	(305.0)
Cash flows from financing activities:		
Proceeds from long-term debt, net	361.3	256.8
Payment of debt issuance costs	-	(3.5)
Proceeds from issuance of common stock	0.4	142.0
Repurchases of common stock	(88.1)	-
Dividends paid on common stock	(1.8)	(1.8)
Net cash provided by financing activities	271.8	393.5
Effect of exchange rate changes on cash and cash equivalents	0.9	(3.2)
Decrease in cash and cash equivalents	3.9	1.6
Cash and cash equivalents, beginning of period	31.2	41.7
Cash and cash equivalents, end of period	$35.1	$ 43.3

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, 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, 1997. Interim results of operations are not necessarily indicative of results to be expected for the fiscal year.

2. CHARGES FOR NONRECURRING EXPENSES

The results of operations included a charge for nonrecurring expenses of $4.9 million, or $.05 per common share on a diluted basis, and $12.6 million, or $.13 per common share on a diluted basis, for the three and nine months ended September 30, 1997, respectively. The nonrecurring charge for the three and nine months ended September 30, 1997 included $1.7 million and $9.4 million, respectively, related to the restructuring of the Company's European operations and the integration of the operations of Deutz Argentina S.A. ("Deutz Argentina") and Xaver Fendt GmbH & Co. KG ("Fendt"), which were acquired in December 1996 and January 1997, respectively. The nonrecurring charge consisted primarily of employee related costs. In addition, the nonrecurring charge for the three and nine months ended September 30, 1997 included $3.2 million related to executive severance costs.

3. LONG-TERM DEBT

Long-term debt consisted of the following at September 30, 1998 and December 31, 1997 (in millions):

	September 30 1998	December 31, 1997
Revolving credit facility	$ 834.9	$ 460.7
Senior subordinated notes	248.2	248.1
Other long-term debt	17.2	18.6
	$ 1,100.3	$ 727.4

The Company's revolving credit facility allows for borrowings of up to $1.1 billion. Lending commitments under the revolving credit facility reduce from the current commitment of $1.1 billion as of September 30, 1998 to $1.0 billion on January 1, 1999. In addition, borrowings under the revolving credit facility may not exceed the sum of 90% of eligible accounts receivable and 60% of eligible inventory. As of September 30, 1998, approximately $834.9 million was outstanding under the revolving credit facility and available borrowings were approximately $221.2 million.

4. EXTRAORDINARY LOSS

During the first nine months of 1997, as part of the refinancing of the Company's revolving credit facility in January 1997, the Company recorded an extraordinary loss of $2.1 million, net of taxes of $1.4 million, for the write-off of unamortized debt costs.

5. NET INCOME PER COMMON SHARE

Effective December 31, 1997, the Company adopted Statement of Financial Accounting Standards No. 128 ("SFAS 128"), "Earnings per Share" which specifies the computation, presentation and disclosure requirements for earnings per share. All prior period earnings per share data has been restated to conform with the provisions of SFAS 128. The per share amounts reported under SFAS 128 are not materially different than those calculated and presented under the previous method of calculation as specified under Accounting Principles Board Opinion No. 15.

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.

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, 1998 and 1997 is as follows (in millions, except per share data):

	Three Months Ended September 30,		Nine Months Ended September 30	
	1998	1997	1998	1997
Basic Earnings Per Share				
Weighted average number of common shares outstanding	58.3	61.6	60.1	60.0
Income before extraordinary loss	$ 17.9	$ 44.2	$ 82.9	$ 120.7
Extraordinary loss	-	-	-	(2.1)
Net income	$ 17.9	$ 44.2	$ 82.9	$ 118.6
Net income per common share:				
Income before extraordinary loss	$ 0.31	$ 0.72	$ 1.38	$ 2.01
Extraordinary loss	-	-	-	(0.03)
Net income	$ 0.31	$ 0.72	$ 1.38	$ 1.98
Diluted Earnings Per Share				
Weighted average number of common shares outstanding	58.3	61.6	60.1	60.0
Assumed vesting of restricted stock	1.2	1.3	1.3	1.3
Assumed exercise of outstanding stock options	0.1	0.4	0.2	0.4
Weighted average number of common and common equivalent shares outstanding	59.6	63.3	61.6	61.7
Income before extraordinary loss	$ 17.9	$ 44.2	$ 82.9	$ 120.7
Extraordinary loss	-	-	-	(2.1)
Net income	$ 17.9	$ 44.2	$ 82.9	$ 118.6
Net income per common share:				
Income before extraordinary loss	$ 0.30	$ 0.70	$ 1.35	$ 1.95
Extraordinary loss	-	-	-	(0.03)
Net income	$ 0.30	$ 0.70	$ 1.35	$ 1.92

6. 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, 1998 and December 31, 1997 were as follows (in millions):

	September 30 1998	December 31, 1997
Finished goods	$ 334.7	$ 267.7
Repair and replacement parts	278.5	250.2
Work in process, production parts and raw materials	232.4	184.5
Gross inventories	845.6	702.4
Allowance for surplus and obsolete inventories	(78.4)	(79.7)
Inventories, net	$ 767.2	$ 622.7

7. COMPREHENSIVE INCOME

Effective January 1, 1998, the Company adopted 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. This statement requires disclosure only; therefore, its adoption had no effect on the Company's financial position or results of operations.

Total comprehensive income for the three and nine months ended September 30, 1998 and 1997 was as follows (in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	1998	1997	1998	1997
Net income	$ 17.9	$ 44.2	$ 82.9	$ 118.6
Other comprehensive income:				
Foreign currency translation adjustments	48.0	1.2	19.6	(53.9)
Total comprehensive income	$ 65.9	$ 45.4	$102.5	$ 64.7

8. COMMON STOCK

In December 1997, the Company's Board of Directors authorized the repurchase of up to $150.0 million of its outstanding common stock. As of September 30, 1998, the Company has repurchased approximately 3.5 million shares of its common stock at a cost of approximately $88.1 million. The purchases are made through open market transactions, and the timing and number of shares purchased depend on various factors, such as price and other market conditions.

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 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's operations are expected to be subject to such conditions in the future. Sales are recorded by the Company when equipment and replacement parts are shipped by the Company 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 and operating results 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, 1998 of $17.9 million compared to $44.2 million for the same period in 1997. Net income per common share on a diluted basis was $0.30 and $0.70 for the third quarter of 1998 and 1997, respectively. Net income for the first nine months of 1998 was $82.9 million compared to $118.6 million for the same period in 1997. Net income per common share on a diluted basis was $1.35 and $1.92 for the first nine months of 1998 and 1997, respectively. Net income for the three and nine months ended September 30, 1997 included nonrecurring expenses of $4.9 million, or $0.05 per share on a diluted basis, and $12.6 million, or $0.13 per share on a diluted basis, respectively, related to the restructuring of the Company's European operations, the integration of the Deutz Argentina and Fendt operations, acquired in December 1996 and January 1997, respectively, and executive severance costs (see "Charges for Nonrecurring Expenses"). In addition, net income for the nine months ended September 30, 1997 included an extraordinary after-tax charge of $2.1 million, or $0.03 per share on a diluted basis, for the write-off of unamortized debt costs related to the refinancing in January 1997 of the Company's revolving credit facility (see "Liquidity and Capital Resources"). The results for the three and nine months ended September 30, 1998 were negatively impacted by unfavorable industry conditions which resulted in reduced net sales in the majority of markets throughout the world as well as lower operating margins in all regions.

RETAIL SALES

In the United States and Canada, for the nine months ended September 30, 1998, industry unit retail sales of tractors and combines increased approximately 7% and 5%, respectively, over the same period in 1997, while industry unit retail sales of hay and forage equipment decreased approximately 5% compared to the same period in 1997. The industry increases reflect strong demand during the first half of 1998; however, industry demand during the third quarter of 1998 declined in all major equipment categories primarily due to low commodity prices and high commodity stock levels which have negatively impacted farm income. Company unit retail sales of tractors in the United States and Canada increased 4% for the nine months ended September 30, 1998 compared to 1997 primarily due to favorable industry conditions in the first half of 1998 and strong acceptance of new tractor models. Company unit retail sales of combines decreased 18% for the first nine months of 1998 compared to 1997 primarily due to lower 1998 pre-season sales, adverse weather conditions particularly in Western Canada and new product introductions by competitors. Company unit retail sales of hay and forage equipment decreased less than the industry for the first nine months of 1998 compared to the prior year.

In Western Europe, industry unit retail sales of tractors experienced mixed results with an overall decrease of approximately 3% for the nine months ended September 30, 1998 compared to the same period in the prior year. Industry retail sales in the U.K and Scandinavia were negatively impacted by unfavorable market conditions offset to some extent by increases in Germany and Spain. For the third quarter of 1998, all significant European markets experienced declines in retail sales with industry retail sales decreasing 11% compared to the same period in 1997 primarily due to depressed commodity prices and export demand. For the nine months ended September 30, 1998, the Company's unit retail sales of tractors in Western Europe decreased in line with the industry with improved market position in the Massey Ferguson utility tractor range and the Fendt brand offset by declines in the Massey Ferguson high horsepower range due to the product lacking certain competitive features.

Industry unit retail sales of tractors in South America increased approximately 4% for the nine months ended September 30, 1998 over the prior year primarily due to a 25% increase in retail sales in the major market of Brazil offset by industry declines in Argentina and in the remaining South American markets. Industry demand in the third quarter declined 6% compared to the prior year with lesser gains in Brazil offset by declines in the remaining markets. Industry conditions have recently been negatively impacted by economic uncertainty and low commodity prices. For the nine months ended September 30, 1998, Company unit retail sales of tractors in Brazil increased approximately 16% compared to the same period in 1997, trailing the industry due to heavy competitor discounting activity. For the third quarter of 1998, the Company's retail sales of tractors in Brazil increased in line with the industry. Outside of Brazil, Company unit retail sales of tractors in South America performed better than the industry for the three and nine months ended September 30, 1998 primarily due to the favorable acceptance of new product introductions.

In other international markets, industry unit retail sales of tractors decreased significantly compared to the prior year in the East Asia/Pacific region, due to the economic crisis affecting the market, and in Africa, primarily due to political and economic instability as well as adverse weather conditions,. The Company also experienced significant declines in retail sales in these markets and in Central and Eastern Europe due to difficulties in securing financing in the region.

STATEMENT OF INCOME

Net sales for the third quarter of 1998 were $665.7 million compared to $759.5 million for the same period in 1997. Net sales for the nine months ended September 30, 1998 were $2,183.3 million compared to $2,335.8 million for the prior year. The decrease in net sales for the three and nine months ended September 30, 1998 primarily reflects the lower retail demand in the majority of markets throughout the world as well as the negative translation effect of currency exchange for the nine months ended September 30, 1998. Net sales for the three and nine months ended September 30, 1998, were also negatively impacted by the sale of the Fendt caravan business in December 1997 (the "Fendt Caravan Sale") and the disposition of 50% of the Deutz Argentina engine business in December 1997 (the "Engine Joint Venture"). This impact was partially offset by the acquisitions of Dronningborg Industries a/s ("Dronningborg") in Denmark in December 1997, the distribution rights of Massey Ferguson in Argentina in May 1998, and the Spra-Coupe line of self-propelled agricultural sprayers in North America in July 1998. Excluding the impact of currency translation, acquisitions and divestitures, net sales for the three and nine months ended September 30, 1998 decreased approximately 11.9% and 2.4%, respectively, compared to the same periods in 1997.

On a regional basis, net sales in North America decreased $16.3 million, or 6.5%, for the three months ended September 30, 1998 compared to the same period in 1997 primarily due to unfavorable market conditions which resulted in lower sales, particularly related to combines and replacement parts. For the nine months ended September 30, 1998, net sales increased $63.0 million, or 9.5%, compared to the same period in 1997 primarily relating to higher sales of midrange and high horsepower tractors resulting from favorable industry conditions during the first half of 1998. In Western Europe, net sales declined $40.0 million, or 12.4%, and $130.4 million, or 11.6%, for the three and nine months ended September 30, 1998, respectively, compared to the same periods in 1997 primarily due to the unfavorable industry conditions in the region, the Fendt Caravan Sale, and for the nine months ended September 30, 1998, the negative impact of foreign currency translation. Net sales in South America decreased $9.8 million, or 11.0% for the three months ended September 30, 1998 compared to the same period in 1997 primarily due to the impact of the Engine Joint Venture and the negative impact of foreign currency translation. For the nine months ended September 30, 1998, net sales increased $1.8 million, or 0.7%, compared to the same period in 1997 primarily due to improved sales of Brazilian tractors and combines offset by the impact of the Engine Joint Venture and foreign currency translation. In the remaining international markets, net sales decreased $27.7 million, or 28.1%, and $86.9 million, or 28.5%, for the three and nine months ended September 30, 1998, respectively, compared to the same periods in 1997 primarily due to decreased sales in the Asia/Pacific region and Central and Eastern Europe resulting from unfavorable market conditions and the negative impact of foreign currency translation.

Gross profit was $131.2 million (19.7% of net sales) for the third quarter of 1998 compared to $169.5 million (22.3% of net sales) for the same period in the prior year. Gross profit for the nine months ended September 30, 1998 was $432.2 million (19.8% of net sales) compared to $479.6 million (20.5% of net sales). Gross margins for the three months ended September 30, 1998 were negatively impacted by (1) increased discounts related to the sale of the Company's products in North America, Western Europe and South America resulting from the competitive market environment, (2) lower production volumes which resulted in lower overhead absorption, and (3) unfavorable currency exchange primarily relating to the weak Canadian dollar. For the nine months ended September 30, 1998, gross margins were negatively impacted by (1) increased discounting, (2) lower production overhead absorption, and (3) unfavorable currency exchange relating to the weak Canadian dollar and the strong British pound. These factors were offset to some extent by improved gross margins on combines sold in Western Europe resulting from the acquisition of Dronningborg.

Selling, general and administrative expenses for the third quarter of 1998 were $71.2 million (10.7% of net sales) compared to $70.0 million (9.2% of net sales) for the same period in 1997. For the nine months ended September 30, 1998, selling, general and administrative expenses were $202.9 million (9.3% of net sales) compared to $199.2 million (8.5% of net sales). The increase in selling, general and administrative expenses as a percentage of net sales for both periods was primarily due to lower sales volumes compared to the same periods in the prior year and Year 2000 project costs recorded in 1998. Engineering expenses were $13.9 million (2.1% of net sales) for the third quarter of 1998 compared to $12.2 million (1.6% of net sales) for the same period in 1997. Engineering expenses for the nine months ended September 30, 1998 were $42.1 million (1.9% of net sales) compared to $39.5 million (1.7% of net sales) for the same period in 1997. Engineering expenses as a percentage of net sales were higher for both periods primarily due to lower sales volume in addition to higher engineering expenses relating to the introduction of new products and the acquisition of Dronningborg.

The nonrecurring charge recorded in the three and nine months ended September 30, 1997 related to the restructuring of the Company's European operations, the integration of the Deutz Argentina and Fendt operations, acquired in December 1996 and January 1997, respectively, and executive severance costs. See "Charges for Nonrecurring Expenses" for further discussion.

Operating income, excluding nonrecurring charges, was $46.1 million (6.9% of net sales) for the third quarter of 1998 compared to $87.3 million (11.5% of net sales) for the same period in 1997. For the first nine months of 1998, operating income was $187.2 million (8.6% of net sales) compared to $240.9 million (10.3% of net sales). Operating income as a percentage of net sales for both periods was unfavorable compared to the prior year periods primarily due to the negative effect of lower sales volumes on selling, general and administrative expenses as discussed above, the decline in gross margins and Year 2000 project costs recorded during 1998.

Interest expense, net was $17.3 million for the third quarter of 1998 compared to $13.5 million for the same period in the prior year. For the nine months ended September 30, 1998, interest expense, net was $50.6 million compared to $40.7 million for the same period in the prior year. The higher interest expense, net for both periods primarily resulted from the higher level of borrowings at September 30, 1998 compared to the prior year to fund the Company's recent acquisitions, common stock repurchases made during the second quarter of 1998 and higher levels of working capital.

Other expense, net was $6.4 million for the third quarter of 1998 compared to $4.4 million for the same period in 1997. For the nine months ended September 30, 1998, other expense, net, was $20.9 million compared to $13.4 million for the same period in the prior year. The Company experienced an increase in other expense, net relating to increased hedging costs on sales of U.K. sourced products and foreign exchange losses compared to gains reported in the same periods in 1997.

The Company recorded an income tax provision of $8.2 million and $23.3 million for the third quarter of 1998 and 1997, respectively. For the nine months ended September 30, 1998 and 1997, the Company recorded an income tax provision of $42.8 million and $62.1 million, respectively. The Company's effective tax rate increased during the nine months ended September 30, 1998 compared to the same period in 1997 due to a change in the mix of income to jurisdictions with higher tax rates.

Equity in net earnings of affiliates was $3.7 million and $3.0 million for the third quarter of 1998 and 1997, respectively. For the nine months ended September 30, 1998 and 1997, equity in net earnings of affiliates was $10.0 million and $8.6 million, respectively. The increase in equity in net earnings of affiliates for both periods primarily related to increased earnings for the Company's retail finance affiliates. In addition, the Company recognized 50% of the net income of the Engine Joint Venture during the third quarter and first nine months of 1998.

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. Lending commitments under the Company's revolving credit facility reduce from the current commitment of $1.1 billion as of September 30, 1998 to $1.0 billion on January 1, 1999. In addition, borrowings under the Company's revolving credit facility may not exceed the sum of 90% of eligible accounts receivable and 60% of eligible inventory. As receivables and inventories fluctuate, borrowings under the revolving credit facility fluctuate as well. As of September 30, 1998, approximately $834.9 million was outstanding under the Company's revolving credit facility and available borrowings were approximately $221.2 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 $1,240.7 million of working capital, as of September 30, 1998, an increase of $356.4 million over working capital of $884.3 million as of December 31, 1997. The increase in working capital was primarily due to working capital acquired in the Company's recent acquisitions and higher accounts receivable and inventories, particularly in North America, reflecting the impact of normal seasonal requirements in addition to sales declines in the third quarter.

Cash flow used for operating activities was $188.4 million and $83.7 million for the nine months ended September 30, 1998 and 1997, respectively. The increase in cash flow used for operating activities compared to the prior year was primarily due to lower net income and decreases in accounts payable and accrued expenses compared to the prior year. The decrease in payables and accruals were primarily related to lower sales volume in 1998 and lower production in the Company's production facilities in order to compensate for the anticipated declines in future market demand. The decrease in payables and accruals was offset to some extent by a decrease in accounts receivable resulting from reduced sales during the nine months ended September 30, 1998.

As a result of the negative market conditions which have adversely affected demand in the majority of markets throughout the world, the Company has reduced production levels for the remainder of 1998 at the Company's manufacturing facilities in North America, Western Europe and South America. In order to reduce dealer and company inventory levels, the Company has reduced 1998 tractor and combine unit production to be 13% below 1997 levels. In addition, in response to the anticipated declines in demand, the Company has identified headcount reductions in production and white collar personnel to be made by the beginning of 1999. The Company expects to record a charge in the fourth quarter of 1998 of $35.0 million to $40.0 million related to these headcount reductions.

Capital expenditures for the nine months ended September 30, 1998 were $39.5 million compared to $37.3 million for the same period in 1997. The Company anticipates that additional capital expenditures for the remainder of 1998 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 maintenance.

In December 1997, the Company's Board of Directors authorized the repurchase of up to $150.0 million of its outstanding common stock. As of September 30, 1998, the Company has repurchased approximately 3.5 million shares of its common stock at a cost of approximately $88.1 million. The purchases are made through open market transactions, and the timing and number of shares purchased depend on various factors, such as price and other market conditions.

In October 1998, the Company's Board of Directors declared a dividend of $0.01 per share of common stock for the fourth quarter of 1998. 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 expects to have the majority of the necessary modifications to its information technology systems completed by the end of 1998 and to complete testing of its systems for Year 2000 compliance during 1999. During 1998, the Company reviewed a majority of its embedded systems and identified a small percentage of systems with Year 2000 problems. The Company expects to have these affected systems replaced or corrected by mid-1999 and to complete testing of all systems during 1999. Based on its reviews, the Company estimates that the required costs to modify existing computer systems and applications will be approximately $10 million to $12 million of which $4.0 million has been incurred to date. The remaining costs will be incurred in the fourth quarter of 1998 and in 1999.

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.

CHARGES FOR NONRECURRING EXPENSES

The Company recorded $4.9 million and $12.6 million of nonrecurring expenses during the three and nine months ended September 30, 1997, respectively. The nonrecurring charge for the three and nine months ended September 30, 1997 included $1.7 million and $9.4 million, respectively, related to the restructuring of the Company's European operations and the integration of the operations of Deutz Argentina and Fendt, acquired in December 1996 and January 1997, respectively. In addition, the nonrecurring charge for the three and nine months ended September 30, 1997 included $3.2 million related to executive severance costs (see Note 2 of the Notes to the Condensed Consolidated Financial Statements). The costs related to the restructuring of the Company's European operations primarily related to the centralization of certain administrative functions. The costs related to the integration of the Deutz Argentina and Fendt operations primarily related to the rationalization of manufacturing and administrative functions.

ACCOUNTING CHANGES

In June 1998, the Financial Accounting Standards Board issued Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities." The Statement establishes accounting and reporting standards requiring that every derivative instrument be recorded in the balance sheet as either an asset or liability measured at its fair value. The Statement requires that changes in the derivative's fair value be recognized currently in earnings unless specific hedge accounting criteria are met. Special accounting for qualifying hedges allows a derivative's gains and losses to offset related results on the hedged item in the income statement, and requires that a company must formally document, designate, and assess the effectiveness of transactions that receive hedge accounting.

Statement 133 is effective for fiscal years beginning after June 15, 1999, however, early adoption is permitted. We have not yet quantified the impact of adopting Statement 133 on our financial statements and have not determined the timing of or method of our adoption of Statement 133. However, the Statement could increase volatility in earnings and other comprehensive income.

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. 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 MANAGEMENT

The Company has significant manufacturing operations in the United States, the United Kingdom, France, Germany, Denmark, Brazil and Argentina, 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. 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 foreign exchange exposure by hedging identifiable foreign currency 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.

PART II. OTHER INFORMATION

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

27.1 - Financial Data Schedule - September 30, 1998 (electronic filing purposes only).

27.2 - Restated Financial Data Schedule - September 30, 1997 (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 13, 1998

/s/ Patrick S. Shannon

Patrick S. Shannon
Vice President and Chief
Financial Officer

EXHIBIT INDEX

Exhibit Number	Description	Sequentially Numbered Page
27.1	Financial Data Schedule - September 30, 1998 (electronic filing purposes only).	
27.2	Restated Financial Data Schedule - September 30, 1997 (electronic filing purposes only).	

5
1,000,000

9-MOS
DEC-31-1998
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SEP-30-1998
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