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 June 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: 59,521,071 shares outstanding as of June 30, 1998.

AGCO CORPORATION AND SUBSIDIARIES

INDEX

Part I. Financial Information
Item 1. Financial Statements

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

	June 30, 1998	December 31, 1997
ASSETS	(Unaudited)	
Current Assets:		
Cash and cash equivalents	$ 27.5	$ 31.2
Accounts and notes receivable, net of allowances	1,089.5	978.7
Receivables from affiliates	27.6	18.5
Inventories, net	728.8	622.7
Other current assets	73.6	63.7
Total current assets	1,947.0	1,714.8
Property, plant and equipment, net	399.5	403.7
Investments in affiliates	95.8	87.6
Other assets	79.3	75.8
Intangible assets, net	341.4	339.0
Total assets	$ 2,863.0	$ 2,620.9
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	$ 312.0	$ 350.1
Payables to affiliates	13.2	17.4
Accrued expenses	454.4	430.0
Other current liabilities	36.5	33.0
Total current liabilities	816.1	830.5
Long-term debt	1,029.8	727.4
Postretirement health care benefits	24.5	24.5
Other noncurrent liabilities	48.5	46.9
Total liabilities	1,918.9	1,629.3
Stockholders' Equity:		
Common Stock: $0.01 par value, 150,000,000 shares authorized, 59,521,071 and 62,972,423 shares issued and outstanding at June 30, 1998 and December 31, 1997, respectively	0.6	0.6
Additional paid-in capital	427.3	515.0
Retained earnings	641.5	577.6
Unearned compensation	(15.2)	(20.0)
Cumulative translation adjustment	(110.1)	(81.6)
Total stockholders' equity	944.1	991.6
Total liabilities and stockholders' equity	$ 2,863.0	$ 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 June 30, 1998	1997
Net sales	$ 816.1	$ 871.9
Cost of goods sold	659.6	696.1
Gross profit	156.5	175.8
Selling, general and administrative expenses	68.7	67.3
Engineering expenses	14.6	14.1
Nonrecurring expenses	-	5.2
Income from operations	73.2	89.2
Interest expense, net	18.3	14.0
Other expense, net	9.1	4.4
Income before income taxes and equity in net earnings of affiliates	45.8	70.8
Provision for income taxes	17.0	25.1
Income before equity in net earnings of affiliates	28.8	45.7
Equity in net earnings of affiliates	3.5	3.1
Net income	$ 32.3	$ 48.8
Net income per common share:		
Basic	$ 0.53	$ 0.80
Diluted	$ 0.52	$ 0.77
Weighted average number of common and common equivalent shares outstanding:		
Basic	60.5	61.3
Diluted	62.1	63.0
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)

	Six Months Ended June 30, 1998	Six Months Ended June 30, 1997
Net sales	$ 1,517.6	$ 1,576.3
Cost of goods sold	1,216.6	1,266.2
Gross profit	301.0	310.1
Selling, general and administrative expenses	131.7	129.2
Engineering expenses	28.2	27.3
Nonrecurring expenses	-	7.8
Income from operations	141.1	145.8
Interest expense, net	33.3	27.2
Other expense, net	14.5	9.0
Income before income taxes, equity in net earnings of affiliates and extraordinary loss	93.3	109.6
Provision for income taxes	34.5	38.8
Income before equity in net earnings of affiliates and extraordinary loss	58.8	70.8
Equity in net earnings of affiliates	6.3	5.8
Income before extraordinary loss	65.1	76.6
Extraordinary loss, net of taxes	-	(2.1)
Net income	$ 65.1	$ 74.5
Net income per common share:		
Basic:		
Income before extraordinary loss	$ 1.07	$ 1.29
Extraordinary loss	-	(0.03)
Net income	$ 1.07	$ 1.26
Diluted:		
Income before extraordinary loss	$ 1.04	$ 1.25
Extraordinary loss	-	(0.03)
Net income	$ 1.04	$ 1.22
Weighted average number of common and common equivalent shares outstanding:		
Basic	61.0	59.3
Diluted	62.7	61.0
Dividends declared per common share	$ 0.02	$ 0.02

See accompanying notes to condensed consolidated financial statements.

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

	Six Months Ended June 30, 1998	1997
Cash flows from operating activities:		
Net income	$ 65.1	$ 74.5
Adjustments to reconcile net income to net cash used for operating activities:		
Extraordinary loss, net of taxes	-	2.1
Depreciation and amortization	28.1	24.6
Equity in net earnings of affiliates, net of cash received	(6.3)	(5.8)
Deferred income tax provision	2.1	9.9
Amortization of intangibles	6.1	6.2
Amortization of unearned compensation	4.8	5.5
Changes in operating assets and liabilities, net of effects from purchase of businesses:		
Accounts and notes receivable, net	(133.8)	(115.8)
Inventories, net	(105.8)	(121.7)
Other current and noncurrent assets	(13.3)	(7.1)
Accounts payable	(41.1)	16.2
Accrued expenses	9.2	4.6
Other current and noncurrent liabilities	(2.3)	(9.0)
Total adjustments	(252.3)	(190.3)
Net cash used for operating activities	(187.2)	(115.8)
Cash flows from investing activities:		
(Purchase)/sale of businesses	(1.5)	(284.2)
Purchase of property, plant and equipment	(26.0)	(20.1)
Net cash used for investing activities	(27.5)	(304.3)
Cash flows from financing activities:		
Proceeds from long-term debt, net	300.1	286.9
Payment of debt issuance costs	-	(3.5)
Proceeds from issuance of common stock	0.4	141.4
Repurchases of common stock	(88.1)	-
Dividends paid on common stock	(1.2)	(1.2)
Net cash provided by financing activities	211.2	423.6
Effect of exchange rate changes on cash and cash equivalents	(0.2)	(4.1)
Decrease in cash and cash equivalents	(3.7)	(0.6)
Cash and cash equivalents, beginning of period	31.2	41.7
Cash and cash equivalents, end of period	$ 27.5	$ 41.1

See accompanying notes to condensed consolidated financial statements.

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 $5.2 million, or $.05 per common share on a diluted basis, and $7.8 million, or $.08 per common share on a diluted basis, for the three and six months ended June 30, 1997, respectively. The nonrecurring charge for the six months ended June 30, 1997 included $5.1 million related to the restructuring of the Company's European operations and $2.7 million for 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.

3. LONG-TERM DEBT

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

	June 30, 1998	December 31, 1997
Revolving credit facility	$ 765.4	$ 460.7
Senior subordinated notes	248.2	248.1
Other long-term debt	16.2	18.6
	$ 1,029.8	$ 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 June 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 June 30, 1998, approximately $765.4 million was outstanding under the revolving credit facility and available borrowings were approximately $290.6 million.

4. EXTRAORDINARY LOSS

During the first six 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 six months ended June 30, 1998 and 1997 is as follows (in millions, except per share data):

	Three Months Ended June 30,		Six Months Ended June 30,	
	1998	1997	1998	1997
Basic Earnings Per Share				
Weighted average number of common shares outstanding	60.5	61.3	61.0	59.3
Income before extraordinary loss	$ 32.3	$ 48.8	$ 65.1	$ 76.6
Extraordinary loss	-	-	-	(2.1)
Net income	$ 32.3	$ 48.8	$ 65.1	$ 74.5
Net income per common share:				
Income before extraordinary loss	$ 0.53	$ 0.80	$ 1.07	$ 1.29
Extraordinary loss	-	-	-	(0.03)
Net income	$ 0.53	$ 0.80	$ 1.07	$ 1.26
Diluted Earnings Per Share				
Weighted average number of common shares outstanding	60.5	61.3	61.0	59.3
Assumed vesting of restricted stock	1.4	1.3	1.4	1.3
Assumed exercise of outstanding stock options	0.2	0.4	0.3	0.4
Weighted average number of common and common equivalent shares outstanding	62.1	63.0	62.7	61.0
Income before extraordinary loss	$ 32.3	$ 48.8	$ 65.1	$ 76.6
Extraordinary loss	-	-	-	(2.1)
Net income	$ 32.3	$ 48.8	$ 65.1	$ 74.5
Net income per common share:				
Income before extraordinary loss	$ 0.52	$ 0.77	$ 1.04	$ 1.25
Extraordinary loss	-	-	-	(0.03)
Net income	$ 0.52	$ 0.77	$ 1.04	$ 1.22

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 June 30, 1998 and December 31, 1997 were as follows (in millions):

	June 30, 1998	December 31, 1997
Finished goods	$ 298.7	$ 267.7
Repair and replacement parts	269.2	250.2
Work in process, production parts and raw materials	235.4	184.5
Gross inventories	803.3	702.4
Allowance for surplus and obsolete inventories	(74.5)	(79.7)
Inventories, net	$ 728.8	$ 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 six months ended June 30, 1998 and 1997 was as follows (in millions):

	Three Months Ended June 30,		Six Months Ended June 30,	
	1998	1997	1998	1997
Net income	$ 32.3	$ 48.8	$ 65.1	$ 74.5
Other comprehensive income, net of tax:				
Foreign currency translation adjustments	(0.6)	(15.3)	(17.9)	(35.8)
Total comprehensive income	$ 31.7	$ 33.5	$ 47.2	$ 38.7

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 June 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 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 esult, 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 June 30, 1998 of $32.3 million compared to $48.8 million for the same period in 1997. Net income per common share on a diluted basis was $0.52 and $0.77 for the second quarter of 1998 and 1997, respectively. Net income for the first six months of 1998 was $65.1 million compared to $74.5 million for the same period in 1997. Net income per common share on a diluted basis was $1.04 and $1.22 for the first six months of 1998 and 1997, respectively. Net income for the three and six months ended June 30, 1997 included nonrecurring expenses of $5.2 million, or $0.05 per share on a diluted basis, and $7.8 million, or $0.08 per share on a diluted basis, respectively, related to the restructuring of the Company's European operations and the integration of the Deutz Argentina and Fendt operations, acquired in December 1996 and January 1997, respectively (see "Charges for Nonrecurring Expenses"). In addition, net income for the first six months of 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 unfavorable results for the second quarter and first six months of 1998 primarily resulted from unfavorable industry conditions which reduced net sales, the negative impact of currency exchange and lower gross margins in the second quarter of 1998.

RETAIL SALES

In the United States and Canada, industry unit retail sales of tractors, combines and hay and forage equipment for the six months ended June 30, 1998 increased approximately 12%, 25% and 6%, respectively, over the same period in 1997. The Company believes general market conditions were strong during the first six months of 1998 due to favorable economic conditions. The Company believes the significant increase in the retail sales of combines was partially due to the timing of shipments by certain competitors which diverted their first six months of 1997 production to international markets as well as new product introductions by competitors in 1998. Company unit retail sales of tractors in the United States and Canada increased 11% for the first six months of 1998 compared to 1997 primarily due to favorable acceptance of new models of utility and high horsepower tractors. Company unit retail sales of hay and forage equipment also increased in line with the industry for the first six months of 1998 compared to the prior year. Company unit retail sales of combines decreased 12% for the first six months of 1998 compared to 1997 primarily due to lower 1998 pre-season sales.

In Western Europe, industry unit retail sales of tractors experienced mixed results with an overall decrease of approximately 2% for the six months ended June 30, 1998 compared to the same period in the prior year. Industry retail sales in the large markets of the U.K and France continue to be depressed, primarily a result of farm consolidation and reduced farm income. These declines were offset to some extent by increases in Germany and Italy. Company unit retail sales of tractors in Western Europe decreased slightly less than the industry. The Company experienced ncreases in retail sales in Germany, Italy and Spain which were offset by declines in most other Western European markets. The Company improved its market position in the Massey Ferguson utility tractor range as well as the Fendt brand. These gains were offset by declines in the Massey Ferguson high horsepower range due to the product line lacking certain competitive features.

Industry unit retail sales of tractors in South America increased approximately 12% for the first six months of 1998 over the prior year primarily due to a 35% increase in unit retail sales in the major market of Brazil resulting from improving economic conditions. Company unit retail sales of tractors in Brazil increased approximately 17% compared to the same period in 1997, trailing the industry due to competitor discounting which the Company chose not to match. Outside of Brazil, Company unit retail sales of tractors in South America performed slightly better than the industry for the first six months of 1998.

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

NET SALES

Net sales for the second quarter of 1998 were $816.1 million compared to $871.9 million for the same period in 1997. Net sales for the first six months of 1998 were $1,517.6 million compared to $1,576.3 million for the prior year. The decrease in net sales for the second quarter and the first six months of 1998 primarily reflects the sale of the Fendt caravan business in December 1997 (the "Fendt Caravan Sale"), the disposition of 50% of the Deutz Argentina engine business in December 1997 (the "Engine Joint Venture"), and the negative translation effect of the strengthening dollar against most European currencies. Excluding the impact of these items, net sales for the second quarter of 1998 decreased approximately 1% compared to the second quarter of 1997 and net sales for the first six months of 1998 increased 2.6% compared to the same period in 1997. On a regional basis, net sales in North America increased $36.3 million, or 15.8%, and $79.3 million, or 19.1%, for the three and six months ended June 30, 1998, respectively, compared to the same periods in 1997 primarily due to favorable industry conditions and the successful acceptance of new products. Net sales in South America increased $5.3 million, or 6.4%, and $11.7 million, or 7.4%, for the three and six months ended June 30, 1998, respectively, compared to the same periods in the prior year due to improved sales of both tractors and combines in Brazil offset by the impact of the Engine Joint Venture. In Western Europe, net sales declined $60.0 million, or 13.5%, and $90.5 million, or 11.3%, for the three and six months ended June 30, 1998, respectively, compared to the same periods in 1997 primarily due to the unfavorable industry conditions in the region, the negative impact of currency translation and the Fendt Caravan Sale. In the remaining international markets, net sales decreased $37.4 million, or 32.4%, and $59.2 million, or 28.7%, for the three and six months ended June 30, 1998, respectively, compared to the same periods in 1997 primarily due to decreased sales in the Asia/Pacific region, Africa, and Central and Eastern Europe due to unfavorable market conditions.

COSTS AND EXPENSES

Gross profit was $156.5 million (19.2% of net sales) for the second quarter of 1998 compared to $175.8 million (20.2% of net sales) for the same period in the prior year. Gross profit for the first six months of 1998 was $301.0 million (19.8% of net sales) compared to $310.1 million (19.7% of net sales). Gross margins for the second quarter of 1998 were negatively impacted by (1) increased discounting in both North America and Western Europe resulting from the competitive market environment, (2) unfavorable market and product sales mix, particularly related to decreased sales in higher margin markets such as the U.K., France, Central and Eastern Europe and the Asia/Pacific region, (3) lower production volumes which resulted in lower overhead absorption, and (4) unfavorable currency exchange relating to the weak Canadian dollar and the strength of the British pound. These factors were offset to some extent by higher gross margins on new products introduced in North America and the acquisition of Dronningborg Industries a/s ("Dronningborg" and the "Dronningborg Acquisition") in December 1997 which resulted in improved combine margins in Western Europe. For the first six months of 1998, gross margin improvements experienced in the first quarter relating to new products and the Dronningborg Acquisition were offset by the gross margin declines in the second quarter.

Selling, general and administrative expenses for the second quarter of 1998 were $68.7 million (8.4% of net sales) compared to $67.3 million (7.7% of net sales) for the same period in 1997. For the first six months of 1998, selling, general and administrative expenses were $131.7 million (8.7% of net sales) compared to $129.2 million (8.2% 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. Engineering expenses were $14.6 million (1.8% of net sales) for the second quarter of 1998 compared to $14.1 million (1.6% of net sales) for the same period in 1997. Engineering expenses for the first six months of 1998 were $28.2 million (1.9% of net sales) compared to $27.3 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 Dronningborg Acquisition.

The nonrecurring charge recorded in the second quarter of 1997 related to the restructuring of the Company's European operations and the integration of the Deutz Argentina and Fendt operations, acquired in December 1996 and January 1997, respectively. See "Charges for Nonrecurring Expenses" for further discussion.

Operating income, excluding nonrecurring charges, was $73.2 million (9.0% of net sales) for the second quarter of 1998 compared to $94.4 million (10.8% of net sales) for the same period in 1997. For the first six months of 1998, operating income was $141.1 million (9.3% of net sales) compared to $153.6 million (9.7% of net sales). Operating income as a percentage of net sales was unfavorable compared to the prior year periods primarily due to the decline in gross margins for the second quarter of 1998 and the negative effect of lower sales volumes on selling, general and administrative expenses as discussed above for both the second quarter and first six months of 1998.

Interest expense, net was $18.3 million for the second quarter of 1998 compared to $14.0 million for the same period in the prior year. For the first six months of 1998, interest expense, net was $33.3 million compared to $27.2 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 June 30, 1998 compared to the prior year to fund the Dronningborg Acquisition, common stock repurchases made during the second quarter of 1998 and higher levels of working capital.

Other expense, net was $9.1 million for the second quarter of 1998 compared to $4.4 million for the same period in 1997. For the first six months of 1998, other expense, net, was $14.5 million compared to $9.0 million for the same period in the prior year. The Company experienced an increase in other expense, net relating to higher 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 $17.0 million and $25.1 million for the second quarter of 1998 and 1997, respectively. For the first six months of 1998 and 1997, the Company recorded an income tax provision of $34.5 million and $38.8 million, respectively. The Company's effective tax rate increased during the first six months of 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 $3.5 million and $3.1 million for the second quarter of 1998 and 1997, respectively. For the first six months of 1998 and 1997, equity in net earnings of affiliates was $6.3 million and $5.8 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 second quarter and first six 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 June 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 June 30, 1998, approximately $765.4 million was outstanding under the Company's revolving credit facility and available borrowings were approximately $290.6 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. As of June 30, 1998, the Company had $1,130.9 million of working capital, an increase of $246.6 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 acquisitions of Dronningborg and the distribution rights of Massey Ferguson Argentina, higher inventories in North America and South America reflecting the sales growth in these regions and normal seasonal requirements particularly in receivables and inventories.

Cash flow used for operating activities was $187.2 million and $115.8 million for the six months ended June 30, 1998 and 1997, respectively. The increase in cash flow used for operating activities compared to the prior year was primarily due to increases in receivables and decreases in accounts payable. The increase in receivables compared to the prior year was primarily the result of increased North American sales which carry longer sales terms than other regions of the world. The decrease in payables primarily related to lower production in the Company's European production facilities in order to compensate for relatively high levels of inventory at December 31, 1997.

As a result of the negative market conditions which have adversely affected demand in several regions, the Company has reduced production levels for the remainder of 1998 at the Company's manufacturing facilities in North America, the U.K. and France. In order to reduce dealer and company inventory levels, the Company has cut production in these facilities by a total of 17% of standard aggregate working hours compared to the prior year.

Capital expenditures for the six months ended June 30, 1998 were $26.0 million compared to $20.1 million for the same period in 1997. The Company anticipates that additional capital expenditures for the remainder of 1998 will range from approximately $40.0 million to $50.0 million and will primarily be used to support the development and enhancement of new and existing products.

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 June 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 July 1998, the Company's Board of Directors declared a dividend of $0.01 per share of common stock for the third 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.

CHARGES FOR NONRECURRING EXPENSES

The Company recorded $5.2 million and $7.8 million of nonrecurring expenses during the three and six months ended June 30, 1997, 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, (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.

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 oreign 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 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

The Company's annual meeting of stockholders was held on April 29, 1998. The following matters were voted upon and the results of the voting were as follows:

(1) To elect four directors to serve for the ensuing three years or until their successors have been duly elected and qualified. The nominees, Messrs. Fike, Johanneson, McDowell and Ratliff were elected to the Company's board of directors. There were 52,432,838 votes for and 489,606 votes withheld for each nominee.

(2) To approve an amendment to the AGCO Corporation 1991 Stock Option Plan, as amended. The votes of the stockholders on this plan were as follows: 49,777,559 in favor, 3,064,190 opposed and 80,695 abstained.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

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

27.2 - Restated Financial Data Schedule - June 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: August 14, 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 - June 30, 1998 (electronic filing purposes only).	
27.2	Restated Financial Data Schedule - June 30, 1997 (electronic filing purposes only).	

5
1,000,000

6-MOS
DEC-31-1998
JAN-01-1998
JUN-30-1998
28
0
1,090
0
729
1,947
399
0
2,863
816
1,030
0
0
1
943
2,863
1,518
1,518
1,217
1,217
28
0
33
93
35
65
0
0
0
65
1.07
1.04

5

1,000

6-MOS
DEC-31-1997
JAN-01-1997
JUN-30-1997
41,100
0
1,032,043
0
645,209
1,804,294
319,199
0
2,680,717
804,499
867,738
0
0
629
939,060
2,680,717
1,576,261
1,576,261
1,266,142
1,266,142
27,321
2,938
27,219
109,643
38,809
76,554
0
(2,080)
0
74,474
1.26
1.22

(EPS - Primary) Denotes Basic EPS