October 27, 2009

AGCO Reports Third Quarter Results

Third Quarter Sales of $1.4 Billion Produce Net Income of $11 million

DULUTH, Ga.--(BUSINESS WIRE)--Oct. 27, 2009-- AGCO, Your Agriculture Company (NYSE:AGCO), a worldwide manufacturer and distributor of agricultural equipment, reported net sales of approximately $1.4 billion for the third quarter of 2009, a decrease of approximately 32.7% compared to net sales of approximately $2.1 billionfor the third quarter of 2008. Reported net income per share was $0.12 for the third quarter of 2009 and adjusted net income, which excludes restructuring and other infrequent expenses, was $0.13 per share for the third quarter of 2009. These results compare to reported and adjusted net income of $1.01 per share for the third quarter of 2008. Excluding unfavorable currency translation impacts of approximately 5%, net sales in the third quarter of 2009 decreased approximately 27.7% compared to the same period in 2008.

Net sales for the first nine months of 2009 were approximately $4.8 billion, a decrease of approximately 23.8% compared to the same period in 2008. Excluding the unfavorable impact of currency translation of approximately 9.9%, net sales for the first nine months of 2009 decreased approximately 13.8% compared to the same period in 2008. For the first nine months of 2009, reported net income was $1.09 per share and adjusted net income, excluding restructuring and other infrequent expenses, was $1.12 per share. These results compare to reported and adjusted net income for the first nine months of 2008 of $2.91 per share.

“Our third quarter results were impacted by weak markets and significant production cuts aimed at reducing our company and dealer inventories,” stated Martin Richenhagen, Chairman, President and Chief Executive Officer. “Expectations of lower farm income in 2009 and the lingering effects of constrained credit in some markets have negatively impacted our business. We are facing softening end market demand in Western Europe and North America, partially offset by stabilizing markets in South America. The priority for the remainder of the year continues to be lowering our investment in working capital in order to better align us with current market demand.”

“Further progress was made with our inventory reduction efforts and cost reduction initiatives during the third quarter. Company and dealer inventories were reduced by approximately $165 million from June 30, 2009 levels by cutting production approximately 31% in the third quarter compared to the third quarter of 2008. We continue to make adjustments to our cost structure to match lower sales levels by aggressively reducing our work force. Through a combination of layoffs, temporary furloughs and the dismissal of temporary employees, we have lowered our workforce by approximately 25% since the beginning of the year. We are not, however, losing sight of our long-term objectives to expand and upgrade our product offerings and improve our profitability. We are continuing to invest in new product development, distribution enhancements and productivity improvements in our production facilities.”

AGCO’s Europe/Africa/Middle East (EAME) region reported a sales decline of approximately 30.3% compared to the third quarter of 2008, excluding unfavorable currency translation impacts. Demand in the third quarter of 2009 softened significantly in France, Germany, Finland and Scandinavia, while the Russian and Eastern European markets continue to be extremely weak. In the North American region, sales in the third quarter declined approximately 31.9% on a constant currency basis compared to the same period in 2008. Lower sales of tractors under 100 horsepower and hay products tied to the dairy and cattle sectors, in addition to dealer inventory reductions resulted in the decline in North American sales. AGCO’s South American region reported a sales decline of approximately 20.5% compared to the third quarter of 2008, excluding unfavorable currency translation impacts. Dry weather and credit constraints have resulted in weaker demand.

Lower net sales, reduced gross margins and the negative impact of currency translation all contributed to a decline in income from operations for the third quarter and first nine months of 2009. Gross margins declined due to lower production volumes and a weaker product mix, partially offset by the impact of reduced workforce levels and cost containment initiatives. The Company continued its investment in engineering in the first nine months of 2009 at levels slightly below the prior year. Unit production of tractors and combines for the third quarter of 2009 was approximately 31% below comparable 2008 levels.

Market Update

Industry Unit Retail Sales

Nine Months Ended September 30, 2009

Nine Months Ended September 30, 2009	Tractors Change from Prior Year Period	Combines Change from Prior Year Period
North America	- 22 %	+ 19 %
South America		

	- 22 %	- 49 %
Europe	- 14 %	-7 %

North America

Industry unit retail sales of high horsepower tractors were down approximately 19% and 11% in the third quarter and first nine months of 2009, respectively, compared to strong levels in the prior year. Industry sales of tractors under 100 horsepower declined approximately 24% in the first nine months of 2009 compared to the prior year due to weakness in the landscaping, residential construction and dairy sectors. Industry unit retail sales of combines for the first nine months of 2009 grew by approximately 19% compared to the prior year period.

South America

For the first nine months of 2009, industry unit retail sales of tractors declined approximately 22% compared to the same period last year. Weak market conditions in Argentina and Brazil have contributed to most of the decline. In the third quarter of 2009, industry conditions improved in Brazil as new government financing programs strengthened demand. The mix of tractor sales in Brazil remained weighted toward smaller tractors. The Brazilian government's special financing plan for small farms continued to stimulate sales of lower horsepower tractors during the third quarter of 2009.

Europe

Industry retail units declined approximately 14% in the first nine months of 2009 with weaker market conditions across Europe. During the third quarter of 2009, the slow-down in industry demand accelerated across Western Europe, especially in the two largest markets of Franceand Germany. The markets of Finland and Scandinavia also experienced significant weakness as industry retail tractor volumes declined approximately 38% compared to the third quarter of 2008. Lower commodity prices and the expectation of reduced farm income generated the softer demand. Industry sales in Eastern Europe and Russia continued to experience severe declines due to ongoing credit constraints.

"The lower level of commodity prices and the recent estimates of decreased farm income from 2008 levels are resulting in weak equipment investments across the farm sector," stated Mr. Richenhagen. "Despite some cold, wet weather across parts of the United States, crop production is expected to be strong around the world. Commodity prices are down from record levels in 2008, and farmers are deferring equipment replacement decisions. The dairy and livestock producers have been hardest hit by the global recession, and sales in those sectors continue to be at very low levels. Global grain inventories are expected to increase, but remain below historical levels on a stocks-to-use basis. Longer term, we are very optimistic about the fundamentals supporting commodity prices and farm income."

Regional Results

AGCO Regional Sales (in millions)

	Net sales	% change from 2008	% change from 2008 due to currency translation
Three months ended September 30, 2009			
North America	$ 292.1	- 33.7 %	- 1.8 %

South America	331.6	- 28.9%	- 8.4%
Europe/Africa/Middle East	720.1	- 35.1%	- 4.7%
Asia/Pacific	59.9	- 13.9%	- 5.2%
Total	$ 1,403.7	- 32.7%	- 5.0%
Nine months ended September 30, 2009			
North America	$ 1,131.2	- 11.2%	- 3.7%
South America	738.0	- 36.9%	- 12.9%
Europe/Africa/Middle East	2,755.5	- 24.3%	- 11.0%
Asia/Pacific	153.2	- 17.3%	- 13.6%
Total	$ 4,777.9	- 23.8%	- 9.9%

North America

Net sales declined across all the major products in AGCO’s North American region during the first nine months of 2009 compared to the same period in 2008, with the exception of combines. In the first nine months of 2009, income from operations increased approximately $36.6 million compared to the same period in 2008. Results benefited from new products, reduced warranty expense and cost control initiatives, partially offset by higher levels of engineering costs.

South America

Weak market demand in Argentina and lower sales of high horsepower tractors in Brazil led to sales declines in the South American region. Income from operations decreased approximately $82.6 million in the first nine months of 2009 compared to the same period in 2008. Lower sales and production levels, the unfavorable impact of currency translation and the shift in mix to lower horsepower tractors in Brazilcombined to produce lower income from operations.

Europe/Africa/Middle East

Softer market demand across Western Europe and the depressed industry conditions in Eastern and Central Europe and Russia produced significant sales declines in the EAME region. AGCO experienced the largest declines in France, Germany and Scandinavia. Income from operations declined by approximately $196.7 million in the first nine months of 2009 compared to the same period in 2008. Reduced sales, lower production levels and unfavorable currency translation impacts all contributed to the decline.

Asia/Pacific

Net sales in AGCO's Asia/Pacific region declined by approximately 3.8% during the first nine months of 2009 compared to the same period in 2008, excluding unfavorable currency translation impacts. Weaker market conditions in Asia were partially offset by improved sales in Australia. Income from operations in the Asia/Pacific region decreased approximately $11.6 million in the first nine months of 2009 compared to the same period in 2008, due to lower sales and unfavorable currency translation impacts.

Outlook

Reduced farm income expectations and the weak global economy have dampened worldwide industry demand for farm equipment with no improvement expected in the fourth quarter. In North America, demand from the professional farming segment is expected to continue to soften. Demand in Brazil has begun to stabilize, resulting from government-supported finance incentives, but lingering impacts of the drought continue to hurt sales in Argentina. Weakening farm economics in Western Europe are expected to continue to reduce industry sales in key markets.

For the full year of 2009, AGCO is targeting earnings per share in a range from $1.30 to $1.50. Net sales are expected to range from $6.4 billion to $6.6 billion, including unfavorable currency translation impacts of approximately $500 million to $600 million. AGCO's earnings are expected to be impacted by lower sales and production volumes, engineering expenses for new product development and Tier 4 emission requirements, and working capital reduction efforts.

AGCO will be hosting a conference call with respect to this earnings announcement at 10:00 a.m. Eastern Time on Tuesday, October 27, 2009. The Company will refer to slides on its conference call. Interested persons can access the conference call and slide presentation via AGCO's website at www.agcocorp.com on the "Investors/Events" page. A replay of the conference call will be available approximately two hours after the conclusion of the conference call for twelve months following the call. A copy of this press release will be available on AGCO's website for at least twelve months following the call.

Safe Harbor Statement

Statements that are not historical facts, including the projections of earnings per share, sales, market conditions, product offerings, investment in development and operating improvements, production volumes, industry demand, general economic conditions, working capital, crop production, commodity pricing, farm incomes, grain inventories and use, currency translation impacts and engineering expense, are forward-looking and subject to risks which could cause actual results to differ materially from those suggested by the statements. These forward-looking statements involve a number of risks and uncertainties. The following are among the factors that could cause actual results to differ materially from the results discussed in or implied by the forward-looking statements. Further information concerning these and other factors is included in AGCO's filings with the Securities and Exchange Commission, including its Form 10-K for the year ended December 31, 2008. AGCO disclaims any obligation to update any forward-looking statements except as required by law.

- Our financial results depend entirely upon the agricultural industry, and factors that adversely affect the agricultural industry generally, including declines in the general economy, increases in farm input costs, lower commodity prices, lower farm income and changes in the availability of credit for our retail customers, will adversely affect us.
- The recent poor performance of the general economy may result in a decline in demand for our products. However, we are unable to predict with accuracy the amount or duration of this decline, and our forward-looking statements reflect merely our best estimates at the current time.
- A majority of our sales and manufacturing takes place outside of the United States, and, as a result, we are exposed to risks related to foreign laws, taxes, economic conditions, labor supply and relations, political conditions and governmental policies. These risks may delay or reduce our realization of value from our international operations.
- Most of the retail sales of our products are financed either by our retail finance joint ventures with Rabobank or by a bank or other private lender. During 2008, our joint ventures with Rabobank, which are dependent upon Rabobank for financing as well, financed approximately 50% of the retail sales of our tractors and combines, in the markets where the joint ventures operate. Any difficulty by Rabobank to continue to provide that financing, or any business decision by Rabobank as the controlling member of the joint ventures not to fund the business or particular aspects of it (for example, a particular country or region), would require the joint ventures to find other sources of financing (which may be difficult to obtain), or us to find another source of retail financing for our customers, or our customers would be required to utilize other retail financing providers. To the extent that financing is not available or available only at unattractive prices, our sales would be negatively impacted.
- Both AGCO and AGCO Finance have substantial accounts receivables from dealers and end-customers, and we would be adversely impacted if the collectability of these receivables was not consistent with historical experience; this collectability is dependent upon the financial strength of the farm industry, which in turn is dependent upon the general economy and commodity prices, as well as several of the other factors listed in this section.
- We recently have experienced substantial and sustained volatility with respect to currency exchange rate and interest rate changes, which can adversely affect our reported results of operations and the competitiveness of our products.

- We are subject to extensive environmental laws and regulations, and our compliance with, or our failure to comply with, existing or future laws and regulations could delay production of our products or otherwise adversely affect our business.
- We have significant pension obligations with respect to our employees and our available cash flow may be adversely affected in the event that payments become due under any pension plans that are unfunded or underfunded. Declines in the market value of the securities used to fund these obligations result in increased pension expense in future periods.
- The agricultural equipment industry is highly seasonal, and seasonal fluctuations significantly impact our results of operations and cash flows.
- Our success depends on the introduction of new products, which requires substantial expenditures.
- We depend on suppliers for raw materials, components and parts for our products, and any failure by our suppliers to provide products as needed, or by us to promptly address supplier issues, will adversely impact our ability to timely and efficiently manufacture and sell our products. We also are subject to raw material price fluctuations, which can adversely affect our manufacturing costs.
- We face significant competition and, if we are unable to compete successfully against other agricultural equipment manufacturers, we would lose customers and our net sales and profitability would decline.
- We have a substantial amount of indebtedness, and as result, we are subject to certain restrictive covenants and payment obligations that may adversely affect our ability to operate and expand our business.