
GUIDE

Adding a new enterprise to your farm: the numbers to run first

By Nick Clunes · Updated 26 October 2026 · 9 minute read

SHORT ANSWER

A new enterprise is a business decision before it is a farming one. Work out its gross margin, what it takes from the land, labour and cash you already have, and how long the cash goes out before it comes back. Then check approvals with your council and state agencies before you spend a dollar.

The cows are going well and the neighbour's son is selling his pig sheds. Or the season looks good and trading steers seem like easy money. Either way, you're thinking about adding something new to the farm. Before you sign anything, it pays to run a few numbers.

I started as a personal and business banker at Greater Bank, and I've worked in commercial and equipment finance since 2018. Here is the order I'd work through it.

Why is it a business decision first?

A new enterprise has to earn more than it costs. It also has to earn more than the land, cash and time would earn if you left them where they are. That second test is the one people skip.

The usual starting point is the gross margin. NSW DPI defines it as the income from an enterprise less the variable costs of earning it. Variable costs are the ones that rise and fall with the enterprise, like feed, vet bills and freight. Fixed costs, such as rates, loan interest and permanent wages, are left out. So a gross margin is not profit, but it lets you compare one enterprise with another.

Two ways to measure it are worth using:

- **Per hectare.** Useful when land is the tight resource, such as trading steers against breeding cows on the same paddocks.
- **Per dollar of capital.** Useful when cash is the tight resource, such as a piggery, where sheds and stock tie up a lot of money.

What will it share with what you already run?

A new enterprise rarely gets its own land, labour and machinery. It borrows them from what you already have. List each one and ask whether there is spare, or whether something else gives way.

- **Land and feed.** In a dry spring, will the steers and the cows want the same paddock?
- **Labour.** Pigs need daily care. Who does it during calving or harvest?
- **Water.** Housed stock need reliable water, and the rules can be different (see below).
- **Machinery.** Will the feed mixer or the loader be needed in two places at once?
- **Your time.** This is the one that runs out first. A new enterprise takes months to learn.

If the new enterprise pushes something else down, take that lost income off its gross margin.

How long before the cash comes back?

Every new enterprise spends money before it earns any. The gap between the first dollar out and the first sale is the lag. The longer the lag, the more cash you need to carry it.

Think of the build-up month by month:

Enterprise	Early months	Middle months	When income settles
Trading stock	Big outlay to buy stock, then small running costs	Stock grow, little cash in	One lump of income at sale, often within the year
Breeding cattle	Buy cows or heifers, plus yards or water	Calves are born and grow, costs keep running	Turnoff builds over several years
Piggery	Approvals, sheds, effluent system, then breeding stock	Feed bills every week before the first sales	Sales build up to a steady level over many months

The trick is to put this in a monthly cashflow (a list of the cash in and out for each month, with a running balance). Run it through to the point where income is steady, plus a few months. My farm cashflow forecast guide walks through how.

What does it do to the overdraft and the debt?

A new enterprise usually needs two kinds of money:

1. **Capital** for things that last, like sheds, yards, fencing or a bore. This is often paid for with a term loan or equipment finance, repaid over years.
2. **Working capital** for things you buy and sell, like stock and feed. This is often carried on an overdraft or a livestock facility, and repaid when the stock are sold.

Mixing them up causes trouble. If you pay for a shed out of the overdraft, the overdraft may not come back down at sale time. See overdrafts and seasonal finance, equipment finance and livestock finance for how each one generally works.

What will the bank want? business.gov.au says lenders usually want to see a business plan, and you may need to supply cashflow forecasts. ANZ's guide says any reputable lender will most likely want your cashflow forecast. For a new enterprise, that means a forecast that covers the build-up. The bank farm review guide covers what else they look at.

What approvals do you need before you spend?

This part catches people out. Rules differ by state and by council. Check with your council and your state agencies before you pay a deposit on anything. The points below are for NSW, checked in October 2026.

Piggeries and other intensive livestock

- **Planning.** NSW DPIRD says a piggery is intensive livestock agriculture and is prohibited in some land-use zones. Council is the consent authority for a development application. Councils can limit pig numbers and set separation distances from sensitive sites nearby.
- **EPA licence.** In NSW, a piggery built for more than 2,000 pigs or 200 breeding sows needs a licence under the Protection of the Environment Operations Act 1997.
- **National guidelines.** Australian Pork Limited publishes the National Environmental Guidelines for Indoor Piggeries (NEGIP). The 2025 edition covers siting, buffers, effluent ponds, manure and reuse areas. It suggests a meeting with council before you lodge, ideally on site. It also says each state has its own laws, so confirm with your state authority.
- **Feedlots.** The NSW planning guidelines for intensive livestock also cover feedlots, so a lot-feeding plan needs the same early check.

Water and effluent

NSW stock and domestic rights cover watering stock. The NSW water department's FAQ says this does not include stock housed or kept in feedlots on an intensive commercial basis. Water taken for other purposes must be covered by a water access licence, and a bore or dam may need its own approval. If you're unsure, WaterNSW is on 1300 662 077.

Effluent from sheds needs somewhere to go. Under NEGIP, that means ponds, a reuse area and regular testing of soil and water. Cost it into the build.

Biosecurity and traceability

- **PIC.** You need a property identification code (PIC) for the land where the stock are kept. In NSW it comes from Local Land Services.

- **Pigs.** In NSW, pigs must be identified before they move. Under 25 kg they need an NLIS ear tag; over 25 kg, a tattoo slap brand or a tag. A PigPass NVD (the movement paperwork) must go with them. The receiver records the move within 2 working days, and you keep the NVD for 3 years.
- **APIQ.** This is the pork industry's quality assurance program. APL says it depends on your market: if you sell to an export processor, you must have on-farm QA.
- **Cattle and sheep.** Register for NLIS and order tags. ISC says most red meat processors and retailers need stock from an LPA-accredited property. LPA accreditation costs \$99 and is renewed every two years, as at October 2026.

How do you test the idea?

Do it in four steps, in this order.

1. **Enterprise gross margin.** Start with the DPI budget closest to your plan, then change it to your own prices, weights and costs. DPI's livestock budgets include beef budgets from June 2026, such as feeder steers and steer growout, and sheep budgets from July 2025. The page does not list current pig budgets, so start from APL or your own figures.
2. **Whole-farm budget, with and without.** Run the whole farm as it is, then again with the new enterprise in. Include the income you lose from anything it pushes aside, plus extra interest.
3. **A 3 to 5 year cashflow.** Month by month for the first year, then by quarter or year. Watch the overdraft against its limit at the low point each year.
4. **A downside test.** Drop the sale price, lift feed costs and slow the build-up. If it only works when everything goes right, it doesn't work yet.

A worked example

This is an invented beef cattle farm near Forbes, and every figure is made up to show the method. The owners run breeding cows and want to try one draft of 200 trading steers. The steers will graze 300 ha that the cows use now.

The steer gross margin

Item	Sum	Amount
Buy 200 steers at 280 kg	$200 \times 280 \text{ kg} \times \$3.60/\text{kg}$	\$201,600
Buying costs (freight, levies)	$200 \times \$30$	\$6,000
Running costs over 7 months	$200 \times \$60$	\$12,000
Sell 198 steers at 420 kg (2 die)	$198 \times 420 \text{ kg} \times \$3.40/\text{kg}$	\$282,744

Item	Sum	Amount
Selling costs	198 x \$70	\$13,860
Gross margin	\$282,744 less all costs	\$49,284

That is \$164 a hectare on the 300 ha (\$49,284 divided by 300 is \$164.28). Say the cows on that country earn \$120 a hectare (also invented). The steers look better, as long as the cows have somewhere else to go.

The cashflow and the overdraft

Month	Cash in	Cash out	Running total
May (buy)	\$0	\$207,600	minus \$207,600
June to November	\$0	\$2,000 a month	minus \$219,600 by November
December (sell)	\$282,744	\$13,860	plus \$49,284

The peak is \$219,600 of extra borrowing in November. At an invented 9% a year on an average \$210,000 for seven months, interest is about \$11,025. That brings the margin down to \$38,259.

Now the whole farm. Say the farm's own overdraft also peaks at \$150,000 in November, with a \$250,000 limit. Adding the steers takes the peak to \$369,600. That is \$119,600 over the limit, so the steers need their own facility, agreed before purchase.

The downside test

- **Sale price 10% lower (\$3.06/kg).** Sales fall to \$254,469.60, which is \$28,274.40 less. The margin after interest drops to \$9,984.60.
- **Running costs 25% higher as well.** That's \$3,000 more, leaving \$6,984.60.
- **Selling two months late as well.** About \$3,150 more interest, leaving \$3,834.60, before any extra feed.

So the steers pay well in a normal year but only just cover costs in a bad one. That is useful to know before the truck arrives.

A piggery is tested the same way. The difference is the lag. The cashflow carries the shed build, the effluent works and the feed bills for many months before sales settle. That makes the downside test of a slower build-up even more important.

Is the existing business working first?

Sometimes the best new enterprise is the one you already run, done better. If your cows are earning less per hectare than the DPI district budget, closing that gap can be cheaper than building sheds. It also adds no new debt.

Where to get help

- **NSW DPI gross margin budgets** for beef and sheep, free online.
- **Australian Pork Limited** for NEGIP, PigPass and APIQ.
- **MLA** has cost of production calculators for cattle and sheep.
- **Integrity Systems Company** for LPA, NVDs and NLIS.
- **NSW Farm Business Resilience Program**, run by DPIRD, for business planning workshops and coaching.
- **Rural Financial Counselling Service**, free and confidential if you're in or at risk of hardship. The national line is 1300 771 741.
- **Your accountant** for tax, including how sheds and stock are treated. **A solicitor** for leases, contracts and loan documents.

You can test your own numbers with my free tools: the piggery feed margin, piggery cost of production, cattle trading margin, sheep gross margin, cashflow forecaster, season stress test and repayment schedule. Terms are in the farm finance glossary.

If you'd like a full feasibility budget and cashflow built from your numbers, that's project work, quoted before I start. When it's time to ask the bank for the money, the Bank Review Pack is \$1,850 plus GST. And if you'd like to find the profit in the current business first, Farm Optimiser is \$3,100 plus GST.

Common questions

What is a gross margin?

It is the income from one enterprise, less the costs that go up and down with it, such as feed, health and freight. NSW DPI says it leaves out fixed costs like rates, loan interest and permanent wages. So a gross margin is not a profit figure. It is a fair way to compare one enterprise with another.

Do I need council approval to build a piggery?

Usually, yes. NSW DPIRD says piggeries are intensive livestock agriculture, prohibited in some zones, and that council is the consent authority. A larger piggery in NSW also needs an EPA licence. Rules differ by state and council, so ring your council before you draw up plans.

Can I use my existing overdraft to buy trading stock?

You might, if the limit is big enough at the low point of the year. Add the stock purchase to your existing monthly cashflow and see where the closing balance lands. If it goes past the limit, talk to the bank about a separate facility before you buy.

How long before a new enterprise pays its way?

It depends on the enterprise. Trading stock can turn over in months. A breeding herd or a new piggery can take a year or more before sales reach a steady level. Your cashflow should run until that point, and a little past it.

Should I fix my existing business first?

Often that's the cheaper move. If the current enterprises are leaving money on the table, a new one adds work and debt on top. Run your existing gross margins against district budgets before you commit.

Sources

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2. NSW DPI, Livestock gross margin budgets (beef June 2026, sheep July 2025)
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10. NSW DCCEEW Water, Domestic and stock rights FAQs (July 2025)
11. business.gov.au, Apply for a business loan
12. ANZ, Prepare for business lending
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15. Department of Agriculture, Rural Financial Counselling Service

General information only, not financial, tax or credit advice. Worked examples use made-up figures.