
GUIDE

What the bank looks at in a farm review

By Nick Clunes · Updated 25 October 2026 · 8 minute read

SHORT ANSWER

The credit team wants to know whether the business can carry its debt. It also wants to know you can repay it in a poor year. They answer that from your balance sheet and profit history. They also use a monthly cashflow for the season and what they know of you as a manager. If you bring those numbers already worked out, the review is usually shorter and the conversation is about your plans rather than your paperwork.

The review letter has landed, the bank wants figures by March, and last year's accounts are still with the accountant. Most farmers I've dealt with feel that the review is something done to them. I started on the other side of the desk as a banker, and the truth is simpler than it looks. The credit team is trying to answer a few plain questions about risk, and you can answer most of them before they're asked.

How the bank thinks about your farm

When a credit officer opens your file, they are weighing up three kinds of risk. The first is the business itself, which comes down to whether it can carry the debt and whether it can repay it. The second is you, as the person running it. The third is your industry, and that part is set by the bank's own history of losses in beef, sheep or pigs.

That third part is why two banks can look at the same farm and offer different terms. Each bank prices your industry from its own book. You can't change that, but you can change how the first two look.

Your interest rate works the same way. It starts with what the money costs the bank and its base rate. On top of that sits a margin for you, set by the bank's view of you, your business and your sector. That margin is the part you can move, and good numbers presented well are how you move it.

What the credit team checks

Can the business carry the debt?

This is about the balance sheet. The bank wants to see what you own, what you owe and what's left over, which is your equity. It also looks at how much you owe against what the land is worth, which is your LVR.

Every bank sets its own lending limit against farmland, and it's usually well under the full value of the land. Plant, stock and water can count as security too, but each is valued differently.

For a sense of scale, ABARES uses an equity ratio below 70% as one marker of limited borrowing capacity. It also found that nearly half of broadacre and dairy farms had little or no debt in 2022-23. A highly geared farm is not a bad farm, but the bank will look harder at the cashflow.

Can the business repay it?

This is the part I'd spend the most time on. The bank wants a monthly cashflow for the coming season, showing when stock is sold and when the big bills fall. It wants to see the overdraft stay inside its limit in every month of the year, including the worst one.

It also looks at how many times your profit covers the interest bill, which is your interest cover. ABARES tracks a similar measure as the share of gross cash income spent on interest. For broadacre and dairy farms that rose to 12% in 2022-23, up from 8% the year before. The decade before averaged 16%.

What does it cost you to produce?

Your cost of production is what it costs to put a kilogram of beef, lamb or pork on the truck. A credit officer compares it with the price you're likely to get. If the gap is thin, a price fall goes straight to the overdraft. If you know your number and can explain it, that counts for a lot.

How did the last few years go?

The bank looks at three or four years of results. One bad year in a drought is understood. What worries a credit team is a business that loses money in average seasons too. Gross margins for each enterprise help here, because they show which part of the farm is carrying the rest.

Covenants and sensitivities

Your loan agreement may have covenants, which are the conditions the bank set when it lent the money. They might cover interest cover, equity or the overdraft limit. I always check where a client sits against each one before the review, because breaking a covenant by surprise is the worst outcome.

The bank will also ask what happens if things go wrong. I'd show at least a poor season and a 15% price drop. Showing the bank you've already thought about a bad year is worth more than an optimistic budget.

You as the manager

This part isn't written on a form, but it matters. The bank wants to see a track record, honest figures and a farmer who understands their own numbers. It also wants regular contact in good years as well as bad. A GRDC GroundCover article in 2020 quoted a consultant saying banks "don't like surprises". My own years in a bank taught me the same.

If an adviser prepares your reports, that's fine, but you still need to own them. When the bank manager asks why feed costs went up, the answer should come from you.

What to bring

Item	Why the bank wants it
Three or four years of financial statements	Shows the trend over several seasons
A statement of what you own and owe, at current values	Works out equity and LVR
A budget for each enterprise, with gross margins	Shows which enterprises earn their keep
A monthly cashflow to the end of next season	Shows the overdraft stays inside its limit
A debt schedule with each loan, rate and repayment	Lets the credit officer check servicing quickly
Cost of production for each enterprise	Shows how much room you have on price
A poor-season and price-fall test	Shows you've planned for a bad year
A short covering note	Tells the bank what's changed and what you want

The covering note is the part most farmers skip. A credit officer reads dozens of files. Two pages in plain words on what happened this year, and what you're asking for, makes their job easier.

Timing the review

For a livestock business, I'd time the review after the main sales are in. For a cattle operation that might be after the autumn weaner sales. For a sheep business it's usually after the wool cheque and the main lamb sales. A piggery sells every week, so the timing matters less than having the year's feed costs settled.

If you're asking for new money, give the bank plenty of notice. The same GroundCover article said a finance application could take about three months to approve. Going in early gives you more options.

Read your own numbers like a banker

Before the bank sees your figures, try reading them the way a credit officer would. Find the month when the overdraft is at its deepest and check it's under the limit with some room to spare. Then take 15% off your livestock prices and see whether that month still fits.

Next, divide your profit before interest by your interest bill, and see how many times it covers it. Then check your total debt against a fair value for the land, not the price you'd hope to get. If any of these surprise you, it's better that you find out in October than the bank finds out in March.

If things are tight

If repayments are getting hard, the best thing you can do is talk to the bank early. The Rural Financial Counselling Service NSW gives free, confidential help to farmers in financial difficulty, and I'll happily put you in touch.

In NSW, the Farm Debt Mediation Act 1994 is administered by the NSW Rural Assistance Authority. Under it, a creditor must invite a farmer in writing to mediate before enforcing a farm mortgage. The farmer has 20 business days to respond. Farmers can also start mediation themselves, and the parties usually share the mediator's costs. The Authority can be reached on 1800 678 593.

The Regional Investment Corporation also lends to eligible farm businesses, with its own eligibility and credit criteria. Its variable rate on all RIC loans rose from 5.18% to 5.71% on 1 August 2026. A licensed broker or the RIC itself can tell you whether you qualify.

When to get help

The Bank Review Pack is \$1,850 plus GST and covers everything in the table above. To see the ratios first, book the Farm Health Check for \$850 plus GST. I credit it in full against a pack booked within 60 days.

Common questions

How early should I start getting ready for the bank review?

I'd start about six weeks out. That gives time to get the year's figures from your accountant, build the cashflow and check the ratios before the bank sees them. If you're asking for new money, start earlier, because a finance application can take months to approve.

What is interest cover?

It's how many times your profit covers the interest bill. The bank uses it to see how much room you have if prices fall or costs rise. ABARES uses a related measure, the share of gross cash income that goes on interest.

Does the bank care about the cost of production?

Yes, because it shows whether you can stay in business when prices are low. A credit officer who sees cost per kilogram of beef or lamb, and how it compares with the price, can judge your margin quickly.

What happens if I can't meet my repayments?

Talk to the bank early, before a missed payment. In NSW, the Farm Debt Mediation Act 1994 means a creditor must invite you to mediation in writing before enforcing a farm mortgage. The Rural Financial Counselling Service can also help, and it's free.

Will you come to the bank meeting with me?

Yes, if you'd like me there. Most farmers prefer to run the meeting themselves, and I think that's right, because the bank wants to hear you explain your own numbers.

Sources

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5. GRDC, Farm Financial Tool: Cash Flow Budget fact sheet (2013)
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7. Regional Investment Corporation, RIC variable interest rate change from 1 August 2026
8. Regional Investment Corporation, RIC loans at a glance (March 2026)
9. Rural Financial Counselling Service NSW

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