
GUIDE

A glossary of Australian farm finance terms

By Nick Clunes · Updated 26 October 2026 · 12 minute read

SHORT ANSWER

This glossary explains the words banks, accountants and agents use about farm money, in plain language and in alphabetical order. Each definition is general information about what the term means. For tax questions about any of them, ask your accountant, and for legal questions about your loan documents, ask a solicitor.

The bank manager says your ICR is fine but the LVR is getting up there, and the agent quotes a price in c/kg cwt. Half the trouble with farm finance is the language. These are the terms I use most with clients, in plain words.

Each definition is general information. Banks define some ratios slightly differently, so check your own facility letter for the exact wording. If you'd like to see your own numbers, the bank ratio check works out the main ratios from your figures.

A

Agistment Grazing someone else's stock on your land for a fee, or sending yours to graze someone else's. The fee is usually a rate per head per week, and the arrangement should be in writing.

Amortising loan A loan where each repayment covers interest and part of the principal, so the balance falls to nothing by the end of the term. It's also called a principal and interest loan.

Annual review The bank's yearly look at your facilities, using your latest financial statements, budget and cashflow. It's when the bank decides whether to carry on, change or renew your facilities. My guide to reading the review letter goes through it.

B

BAS (business activity statement) The form a GST-registered business uses to report GST on its sales and purchases to the ATO, and pay what's owed or claim a refund. Your accountant or bookkeeper usually prepares it, and I don't.

Budget A plan for the year's income and costs, which shows whether the year should make a profit. It doesn't show when the money moves, which is the job of the cashflow forecast.

C

c/kg cwt (cents per kilogram carcase weight) A price paid on the weight of the carcase after slaughter, rather than the live animal. Sales direct to a processor, called over the hooks, are priced this way.

c/kg lwt (cents per kilogram liveweight) A price paid on the weight of the live animal, as at a saleyard weighbridge. To compare it with a carcase price, you need the dressing percentage.

Cashflow forecast A month-by-month list of the cash coming in and going out, with the bank balance at the end of each month. It shows whether your overdraft can carry you between sales. The cashflow forecaster builds a simple one.

Closing balance The bank balance at the end of a month in a cashflow. It becomes the next month's opening balance.

Cost of production What it costs you to produce a unit of output, such as a kilogram of beef, lamb or pork. It includes your share of overheads as well as direct costs, so you can compare it with the price.

Covenant A promise in your loan agreement, such as keeping interest cover above a set level or sending financial statements by a date. Breaking one can give the bank extra rights. My guide to farm loan covenants explains them.

Current ratio Current assets divided by current liabilities. Current means due or expected to turn into cash within 12 months, so it's a quick test of whether you can pay the bills coming up.

D

Debt service cover How many times the cash the business earns covers its interest and principal repayments together. Banks calculate it in different ways, often starting from EBITDA and taking off drawings.

Default Failing to do something the loan agreement requires, such as making a repayment or keeping a covenant. For small business customers, the Banking Code of Practice limits which defaults a bank can act on and generally requires notice first.

Default interest A higher interest rate charged while a loan is in default. Under the Banking Code, a bank won't charge default interest on a farm loan while the land is in drought or a natural disaster.

Depreciation The cost of machinery, buildings and improvements spread over their working life. It's a cost in the accounts but not a cash payment in the year it's recorded.

Dressing percentage Carcase weight divided by liveweight, times 100. MLA's fact sheet gives it as a factor used to work out carcase weight from live weight.

Drawings Money the family takes out of the business for living costs. The bank counts drawings when it works out whether the farm can meet its repayments.

DSE (dry sheep equivalent) A standard unit for comparing the feed needs of different stock. NSW DPI defines it as a 50 kg wether maintained at constant weight, rated at 1 DSE, and notes some areas use a 45 kg wether instead.

E

EBIT Earnings before interest and tax. It's profit with the interest bill and tax added back, and it's the usual starting point for interest cover.

EBITDA Earnings before interest, tax, depreciation and amortisation. It's closer to the cash the business earns, because depreciation isn't a cash cost.

Equity What you own less what you owe. The equity ratio is equity divided by total assets, as a percentage.

F

Facility letter The bank's letter setting out each loan or overdraft, with limits, rates, fees, security and conditions. Keep it handy, because the covenants are in it.

Farm debt mediation A formal process for a farmer and a creditor to try to settle a farm debt with an independent mediator. In NSW, a creditor must invite the farmer to mediation in writing before enforcing a farm mortgage.

Farm Management Deposit (FMD) A deposit with a financial institution under an ATO scheme that lets primary producers set aside income in good years for leaner ones. The ATO sets rules on who can hold one and how much, including a \$1,000 minimum per deposit and an \$800,000 total limit in 2025 to 26. Whether one suits you is a question for your accountant.

Financial year In Australia, 1 July to 30 June. Most farm accounts and tax returns run on it, and it's why review letters often ask for statements "for the year ended 30 June".

G

Gross margin NSW DPI defines it as the gross income from an enterprise less the variable costs of achieving it. It leaves out overheads such as depreciation, interest, rates and permanent labour, so it isn't a profit figure. The sheep gross margin tool works one out.

GST Goods and services tax, a 10% tax on most goods and services in Australia. A business must register once its GST turnover reaches \$75,000. Ask your accountant how it applies to you.

Guarantee A promise by someone else, often a family member or a company, to repay your debt if you can't. Under the Banking Code, a bank must meet intending guarantors to explain their obligations before accepting a guarantee, and a solicitor should explain it too.

H

HSCW (hot standard carcase weight) The weight of a carcase taken hot, soon after slaughter, trimmed to a standard. APL's pork training manual says the pig carcase must be weighed hot, and processors report weights on the standard carcase definition.

I

Interest cover ratio How many times your profit covers the interest bill, usually EBIT divided by interest. ABARES tracks a related measure, the share of gross cash income spent on interest, which was 12% for broadacre and dairy farms in 2022 to 23.

Interest only A period where repayments cover only interest and the loan balance doesn't fall. RIC loans, for example, can start with an interest-only period.

L

LVR (loan to value ratio) How much you owe against what the security is worth, as a percentage. A loan of \$2 million against land valued at \$5 million is an LVR of 40%.

M

Management accounts Profit and loss and balance sheet figures prepared during the year, often monthly or quarterly. Banks ask for them to see how this year is going before the annual statements are ready.

Mortgage A legal charge over land that gives the lender the right to sell it if the loan isn't repaid. It's the most common security for a farm loan.

O

Overdraft A facility that lets your account go below zero, up to a set limit. On a farm it carries the business between sales, and interest is charged on the amount you use.

Overheads Costs that don't change with the size of an enterprise, such as rates, insurance, permanent wages, interest and depreciation. They're left out of a gross margin but must be covered before the farm makes a profit.

P

Principal The amount borrowed, as distinct from the interest on it. Principal repayments reduce the loan balance. The repayment schedule splits each repayment into the two.

PTIC Pregnancy tested in calf. Cows sold as PTIC have been confirmed pregnant, which is why they're often bought when rebuilding a herd.

R

RFCS (Rural Financial Counselling Service) A free service that helps primary producers and small rural businesses in financial hardship, or at risk of it. It's co-funded by the Australian and state governments, and the national number is 1300 771 741.

RIC (Regional Investment Corporation) An Australian Government lender that offers loans to eligible farm businesses, such as the Drought Loan and the AgriStarter Loan. Its variable rate is 5.71% from 1 August 2026, and eligibility and credit criteria apply.

Review event A clause in a loan agreement that lets the bank review the facility if something happens, such as a fall in security value or a change in ownership. It usually starts a conversation rather than enforcement.

S

Seasonal facility A short-term limit, often on top of the overdraft, to cover the months when costs run ahead of income. It's usually set for a season and expected to be cleared by a set date.

Security What the bank can call on if the loan isn't repaid, such as land under a mortgage, a guarantee, or a charge over stock or machinery.

Stress test Re-running the budget and cashflow with lower prices, higher costs or a poor season, to see whether the overdraft and covenants still hold. The season stress test does this.

T

Term loan A loan for a set amount over a set number of years, usually to buy land, machinery or stock. It can be amortising or interest only for part of the term.

Transfer duty A state tax, also called stamp duty, generally payable when you buy property. Rates and concessions vary by state, so confirm the amount with your solicitor or accountant.

V

Valuation A qualified valuer's assessment of what a property would sell for. Banks lend against their valuation, not the price you pay, and under the Banking Code you can get a copy of a valuation of agricultural property that you paid for.

W

Working capital Current assets less current liabilities. It's the money available to run the business over the next year, such as stock, grain and debtors, less bills and short-term debt.

When to get help

If you'd like these numbers worked out for your own farm, the Farm Health Check is \$850 plus GST and covers the main ratios. For a full pack ready for the bank, see the Bank Review Pack at \$1,850 plus GST.

Common questions

What's the difference between interest cover and debt service cover?

Interest cover only compares profit with the interest bill. Debt service cover compares the cash the business earns with interest and principal repayments together, so it's the stricter test.

Is c/kg cwt the same as c/kg HSCW?

They're closely related. Both are a price per kilogram of carcase rather than live animal, and HSCW is the standard carcase weight taken hot after slaughter. Check the grid or contract for the exact basis a processor uses.

Do you give advice on Farm Management Deposits?

No. I include the definition here so you know what the term means. Whether one suits you is a tax question for your accountant.

Where can I check my own ratios?

The bank ratio check tool on this site works out interest cover, LVR and the other ratios in this glossary from your own figures.

Sources

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12. Regional Investment Corporation, RIC loans at a glance (March 2026)
13. Regional Investment Corporation, RIC variable interest rate change from 1 August 2026
14. Agriculture Victoria, Rural Financial Counselling Service

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