

FARM LOANS AND SUPPORT · PART 1 OF 10

What loans are available to farmers in Australia

By Nick Clunes · Updated 26 October 2026 · 10 minute read

SHORT ANSWER

Farmers in Australia mostly borrow through term loans, overdrafts and seasonal facilities, equipment finance, livestock finance and land loans, with RIC and state loans for those who qualify. The rule of thumb is to match the loan to the job: short-term money for costs that come back within the year, and longer loans for land and gear. Lenders mainly look at whether the farm can make the repayments, what security backs the loan and how you have run your accounts.

You've found a place to lease, the cows are for sale and you need a tractor. Then the bank asks which facility you want, and you're not sure what the words mean. This page lists the common types of farm finance in Australia, what each one is for and what lenders usually want before they say yes.

I started as a personal and business banker at Greater Bank, and I've worked in commercial and equipment finance since 2018. This is general information about how these products work. It isn't advice about which loan or lender suits you.

Why farms borrow

ABARES tracks farm debt each year. For broadacre and dairy farms, it says the main reasons for borrowing are buying land and funding working capital (the cash that carries the farm between paying costs and getting paid). Total farm debt was about \$120.5 billion at 30 June 2023.

The Australian Banking Association says banks provided 93% of rural business lending in 2024. Pastoral and finance companies provided 4% and government 3%. So most farm loans are bank loans, with stock agents, finance companies and government loans filling some gaps.

The basic rule: match the loan to the job

The GRDC fact sheet on debt structure makes one point I'd stick on the fridge. The loan should be paid off within the useful life of the thing it bought. A tractor that lasts ten years shouldn't be on a 20-year loan, and land that doesn't wear out can be paid off over a longer time.

The same idea works for running costs. Money for fuel, feed and wages should come back when you sell stock or grain that year. Long-term debt is for long-term assets.

The main types of farm finance

Term loans: principal and interest

A term loan is a set amount borrowed for a set time, such as ten or twenty years. With principal and interest repayments, each payment covers the interest and pays off some of the loan (the principal). The balance falls over time until it reaches zero. Repayments can be monthly, quarterly or yearly, depending on what the lender offers.

Term loans: interest only

With interest only, you pay the interest but not the principal for a set period. The loan stays the same size, so repayments are lower but you aren't paying the debt down. The GRDC says interest-only funding is commonly used to buy farm land. At the end of the interest-only period, repayments usually step up to principal and interest.

Overdrafts

An overdraft lets your farm account go below zero, up to a limit. You draw on it when costs come in and pay it back when income arrives. Westpac's business overdraft page, for example, says interest is charged only on the amount you use. It also says a line fee is charged on the whole limit. Read more in farm overdrafts and seasonal finance.

Seasonal and working capital facilities

A seasonal facility is like an overdraft built around the farm year. You draw it down to pay for a crop or a season's costs. You pay it back from the harvest or the stock sales. Banks name these products differently, so ask exactly how the one on offer works and when it must be cleared.

Equipment finance

Equipment finance pays for tractors, utes, headers, trucks and similar gear. The machine itself is usually the security. The common types are a chattel mortgage, hire purchase and a finance lease. They differ in who owns the gear during the contract. The GRDC says these contracts rarely run longer than 60 months, with a balloon (a lump sum at the end) used for longer-lived gear. See equipment finance for farmers.

Livestock finance

Livestock finance pays for buying cattle or sheep, often using the stock as security. Banks may offer it, and some stock agents do too. Nutrien Ag Solutions, for example, publishes a livestock finance facility secured by a registered livestock mortgage. It runs for 12 months and can be renewed by agreement. Elders Finance lists commercial livestock funding and finishing finance. See [livestock finance](#).

Land purchase loans

Buying land is usually funded with a long term loan, secured by the land itself. The lender will normally want a valuation and a deposit or other equity (the part of the price you put in yourself). If you're looking at the place next door, read [buying the neighbouring block](#).

Government loans: RIC and state schemes

The Regional Investment Corporation (RIC) is the Australian Government's farm lender. Its March 2026 summary lists the AgriStarter Loan for first farmers and succession, the Farm Investment Loan and the Drought Loan. Each lends up to \$2 million over 10 years, with up to 5 years interest only. From 1 August 2026, the variable rate on all RIC loans is 5.71%. Eligibility and credit criteria apply. See [RIC loans explained](#) and [state government farm loans](#).

Vendor finance and family loans

With vendor finance, the seller lets you pay part of the price over time instead of all at settlement. A family loan is money lent by parents or relatives, often to help a younger family member buy in. Both can work, but they need a written agreement prepared by a solicitor. A bank will also want to know about them, because they're debts you must repay.

Leasing instead of buying

You don't have to own everything. Leasing land is a common way into farming, and gear can be leased too. The NSW Young Farmer Business Program lease checklist says to have your solicitor review the lease before you sign. It also says to plan how much extra working capital the lease will need. See [ways into farming](#).

The types side by side

The terms below are general. Your contract sets the real terms, so read it and compare offers.

Type	What it's for	Typical term	How it's repaid	What the lender usually wants
Term loan, principal and interest	Land, improvements, long-term needs	Set in the contract, often years	Regular payments of interest and principal	Usually land or other property
Term loan, interest only	Land, or a lower repayment period	A set interest-only period, then principal and interest	Interest only, then interest and principal	Usually land or other property
Overdraft	Day-to-day running costs	No fixed term, reviewed by the lender	Income goes in, balance swings up and down	Varies; property and a guarantee may be asked for
Seasonal facility	A season's costs, cleared from harvest or sales	Usually within the year	Lump sum from crop or stock income	Usually property, sometimes the crop or stock
Equipment finance	Tractors, utes, headers, trucks	GRDC says rarely over 60 months	Regular payments, sometimes a balloon	The machine itself
Livestock finance	Buying cattle or sheep	Often 12 months, may renew	Usually from stock sales	The livestock, by a registered mortgage
Land purchase loan	Buying a farm or more country	Long, set in the contract	Principal and interest, or interest only for a time	The land, plus a deposit or equity
RIC loan	Eligible first farmers, drought, farm investment	10 years, up to 5 interest only	Interest only, then principal and interest	Security required; check with RIC
Vendor or family loan	Buying in, succession	Whatever is agreed in writing	As agreed	As agreed, sometimes a mortgage
Leasing land or gear	Using assets without buying them	Lease term	Rent or lease payments	Usually none for land; the gear for

Type	What it's for	Typical term	How it's repaid	What the lender usually wants
				equipment leases

How lenders decide

Lenders use different words, but most look at three things. Can you make the repayments? What backs the loan if you can't? How have you run your affairs so far?

Can you make the repayments?

This is often called servicing. The Banking Code of Practice says that when lending to a small business, a bank will act as a diligent and prudent banker. It will consider your financial position or your account conduct (how you've run your accounts). It may also look at your projected future cash flows. That's why a cashflow forecast matters so much.

The RBA made a similar point in 2013. It said farm credit depends on the business's prospective ability to service the debt. It also said banks weigh how much farm income can swing from year to year.

What backs the loan?

This is security (the land, machine or stock the lender can sell if the loan isn't repaid). Moneysmart describes a secured loan as one backed by an asset that the lender may sell to get its money back. The RBA noted that farm land is often the main security for farm loans.

Lenders may also ask for a guarantee (a promise by someone else, often a family member, to repay if you can't). The Banking Code says a guarantor should consider getting independent legal and financial advice. It also says the bank won't accept a guarantee until the third day after giving the guarantor certain information, with some exceptions.

Your track record and balance sheet

The GRDC fact sheet says lenders look at the strength of the balance sheet and profitability. That includes your equity (what you own minus what you owe) and the market value of the security. For new entrants with little history, savings, off-farm income and a clear plan help fill the gap. If a bank turns down a small business loan, the Code says it will tell you the general reason, unless that isn't reasonable.

A worked example: matching loans to jobs

This is an invented couple starting out near Parkes, and the figures are illustrative. They've signed a five-year lease on 500 hectares. They want to buy 100 cows at \$1,800 a head, a used tractor for \$85,000, and

they expect their account to fall \$50,000 below zero before the first weaner sale.

Need	Amount	Type of finance that fits the job
100 cows at \$1,800	\$180,000	Livestock finance or a term loan
Used tractor	\$85,000	Equipment finance over the tractor's working life
Running costs before the first sale	\$50,000	An overdraft or seasonal facility
Total need	\$315,000	
Less their own savings	\$60,000	
To borrow	\$255,000	

The check: \$180,000 plus \$85,000 plus \$50,000 is \$315,000, less \$60,000 is \$255,000. Split this way, the tractor is paid off while it still works, and the overdraft comes back down after sales. Whether a lender would lend this much depends on its own assessment.

What documents to have ready

The ABA's agribusiness page says your bank may ask for a business plan, a statement of position, a cashflow, debtors and creditors, tax information and possibly a valuation. A Commonwealth Bank guide to business loans adds financial statements, recent tax returns and notices of assessment, bank statements and ID. For a start-up it lists a business plan and cashflow projections.

A good pack usually includes:

1. Two or three years of financial statements, if you have them.
2. Personal and business tax returns, with notices of assessment.
3. A budget for each enterprise and a monthly cashflow.
4. A list of what you own and owe today.
5. Leases, contracts of sale and any partnership or trust deeds.
6. Recent bank statements and ID.

The farm business setup checklist and first farm budget guides help you build these.

Who arranges the loan

Farm CFO by Clunes Rural doesn't arrange loans. Equipment, vehicle and other business finance can be arranged through Levelhead Business Advisors, run by the same company. Any commission is disclosed in writing before you go ahead, and you're free to use any lender. Levelhead doesn't arrange livestock

finance. For that, I refer people to stock agents and lenders that offer it, such as Elders and Nutrien Ag Solutions, and Farm CFO receives no referral fee.

Where to get help

- **Regional Investment Corporation:** RIC loans and eligibility, on 1800 875 675.
- **Rural Financial Counselling Service:** free, independent financial help for farmers, on 1300 771 741.
- **State farm lenders:** see state government farm loans.
- **NSW DPIRD Farm Business Resilience Program:** workshops and coaching on farm business planning. Check the NSW Government page for what's running.
- **The ATO:** for tax questions, along with your accountant.
- **A solicitor:** for leases, guarantees, vendor and family loans.

You can test the numbers yourself with the cashflow forecaster, bank ratio check and repayment schedule tools, or the templates. If you want someone to check where you stand, the Farm Health Check is \$850 plus GST. The Bank Review Pack at \$1,850 plus GST builds the budget and cashflow a lender reads.

Common questions

What is the most common type of farm loan?

ABARES says the main reasons broadacre and dairy farms borrow are to buy land and to fund working capital. In practice that means term loans for land and an overdraft or seasonal facility for running costs. Most farms with debt have both.

Do I need land to get a farm loan?

Not always. Equipment finance usually uses the machine as security, and livestock finance can use the stock. Larger loans often need land or other property as security, so ask each lender what they would want.

What is the difference between interest only and principal and interest?

With principal and interest, each repayment pays the interest and also pays down the loan. With interest only, you pay just the interest for a set time and the loan stays the same size. Interest only costs more in total because the balance doesn't fall.

Can a government loan replace my bank?

Usually not. The RIC Drought Loan, for example, needs you to keep at least 50% of your total debt with a commercial lender and to have that lender's support. RIC loans sit alongside a bank loan rather than replacing it.

Does Farm CFO lend money or arrange loans?

No. I build the budget and cashflow that show whether a loan fits. Equipment, vehicle and other business finance can be arranged separately through Levelhead Business Advisors, with any commission shown in writing first, and you can use any lender you like. Livestock finance isn't offered there, so I refer people to stock agents and lenders such as Elders, with no referral fee.

Sources

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