
FARM LOANS AND SUPPORT · PART 2 OF 10

Farm overdrafts and seasonal finance explained

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

SHORT ANSWER

An overdraft and a seasonal facility both lend you the cash to run the farm between paying costs and getting paid. You pay interest on what you use, and the lender reviews the limit, usually each year. Size the limit from a monthly cashflow: find the lowest balance of the year, add a margin for a late or poor sale, and check the account comes back up after sales.

It's January. The weaners won't sell until March, the fuel and wages keep going out, and the account is sliding further below zero every week. That gap between paying and getting paid is what an overdraft or seasonal facility is for. The hard part is working out how big the limit needs to be.

I started as a personal and business banker at Greater Bank, and I've worked in commercial and equipment finance since 2018. This guide explains how these facilities generally work. Your own facility letter sets the real terms, so read it and compare offers.

What working capital is

Working capital is the cash a business needs to keep running between paying its costs and being paid for what it sells. On a farm, most costs come in steadily or early in the season. Most income comes in a few big cheques.

ABARES says working capital is one of the two main reasons broadacre and dairy farms borrow. The other is buying land.

Why livestock businesses need it

A cattle or sheep business can go months without a sale. A breeding herd might sell weaners once or twice a year. A wool cheque might come once a year. In between, you still pay for fuel, wages, animal health, feed, rates and interest.

A dry spell makes it worse. Feed bills go up at the same time as sales are delayed or prices fall. The RBA noted in 2013 that farmers increased borrowing in drought to meet their working capital needs.

How an overdraft works

An overdraft lets your farm account go below zero, up to an agreed limit. Money comes in and out of the same account, so the balance swings up and down through the year.

- **Limit.** The most you can be overdrawn. Going past it can mean dishonoured payments and extra fees.
- **Interest.** Charged on the amount you use, not the whole limit. Westpac's business overdraft page says interest is charged only when your spending goes past the account balance.
- **Line fee.** Many lenders charge a fee for having the limit available. Westpac, for example, says its line fee is charged monthly on the total limit.
- **No set repayments.** You don't make fixed payments. Income going into the account pays it down.

How a seasonal facility works

A seasonal facility is built around the farm year. You draw it down for a season's costs. You pay it back from that season's harvest or stock sales.

Canstar describes seasonal finance as repaid in the months when you earn a return on your harvest, with fewer, larger repayments. Its 2016 article says interest may be debited monthly from the farm account. Each lender sets its own rules, so ask when the facility must be cleared and whether you can redraw.

Overdraft or seasonal facility: the difference

	Overdraft	Seasonal facility
What it's for	Day-to-day costs all year	A season's costs, cleared from one harvest or sale
How it's drawn	Through your everyday farm account	Often a separate account or loan
How it's repaid	Income going into the account	A lump sum after harvest or sales
Interest	On the amount used	Usually on the amount used; check the contract
Fees	Often a line fee on the limit	Check the fees in your offer
Review	Usually yearly, or as your letter says	Usually yearly, or as your letter says

Annual reviews

Most farm overdrafts and seasonal facilities don't run forever. Your facility letter will say when the lender reviews the limit or when it expires. At the review, the lender will usually ask for financial statements, a budget and a monthly cashflow.

The Banking Code of Practice says that if a bank extends or refinances a loan, it doesn't have to do so on the same terms. So a review is a chance for the lender to change the limit, the fees or the conditions. Read what the bank looks at in a farm review and how to read your bank's review letter.

What hardcore debt means

An overdraft is meant to swing. It should go down when costs go out and come back up when income comes in. Hardcore debt is the part that never comes back. If your account's best point all year is \$40,000 overdrawn, that \$40,000 is hardcore.

Hardcore debt is really long-term debt sitting in a short-term facility. It usually means the farm spent more than it earned, or bought something lasting with the overdraft. The GRDC fact sheet says debt should match the life of what it paid for. A tractor or a water project bought on overdraft breaks that rule.

How lenders view it

Lenders want an overdraft to be used for working capital. A 2018 Farming Ahead article warns that if short-term borrowing isn't repaid after harvest, the option may not be there next year. It says the repayment plan should then be reviewed.

One way to fix it is to move the hardcore part to a term loan with set repayments. That frees the overdraft to do its real job again. Whether that's possible is the lender's call, so raise it early and bring a plan to lift income or cut costs.

How to size a limit using a monthly cashflow

You size an overdraft from the cashflow, not from a guess. Here are the steps.

1. List every expected receipt by month: stock sales, wool, grain, other income.
2. List every payment by month: wages, fuel, feed, animal health, rates, insurance, loan repayments, drawings and tax.
3. Start with today's bank balance and work out the closing balance for each month.
4. Find the lowest closing balance of the year. That's your peak need.
5. Add a margin for a late sale or a cost blowout.
6. Check the balance comes back up after sales. If it never does, you have a structure problem, not a limit problem.

The cashflow forecaster does steps 1 to 4 for you.

A worked example

This is an invented breeding cattle business near Forbes, and the figures are illustrative. It sells weaners in March and April and some cull cows in May. It starts July \$20,000 overdrawn.

Month	Receipts	Payments	Closing balance
Jul	\$0	\$30,000	-\$50,000
Aug	\$0	\$28,000	-\$78,000
Sep	\$5,000	\$45,000	-\$118,000
Oct	\$0	\$30,000	-\$148,000
Nov	\$0	\$28,000	-\$176,000
Dec	\$0	\$40,000	-\$216,000
Jan	\$0	\$26,000	-\$242,000
Feb	\$30,000	\$30,000	-\$242,000
Mar	\$180,000	\$42,000	-\$104,000
Apr	\$150,000	\$32,000	\$14,000
May	\$40,000	\$30,000	\$24,000
Jun	\$0	\$44,000	-\$20,000
Total	\$405,000	\$405,000	

Receipts and payments both add up to \$405,000, so the year ends where it started, at \$20,000 overdrawn. The lowest point is \$242,000 overdrawn, in January and February.

The account comes into credit in April and May. That means the overdraft swings fully, and there is no hardcore debt in a normal year.

Adding a margin

A sale can be a month late, or a big bill can land early. Here I'd add about one month's payments, say \$30,000, to the peak. That takes the need to \$272,000, so the business might ask for a limit around \$275,000. That's the size of facility the cashflow supports. Whether a lender agrees is its own decision.

What a poor year does

Now say weaner prices are 15% lower. March receipts fall from \$180,000 to \$153,000. April falls from \$150,000 to \$127,500. That's \$49,500 less income.

The peak in February doesn't change, because it comes before the sales. But the account now closes March at \$131,000 overdrawn and April at \$35,500 overdrawn. Its best point is May, at \$25,500 overdrawn. It ends June at \$69,500 overdrawn.

So in a poor year the account never gets back to zero. That \$25,500 has become hardcore debt, and next year starts \$49,500 deeper. The season stress test runs this kind of check on your own numbers.

Talking to the lender

Take the cashflow to the lender before you need the money, not after. The ABA's agribusiness page says your bank may ask for a business plan, a statement of position, a cashflow, a list of debtors and creditors and tax information. If you can show the peak, the margin and the poor-year case, the conversation is much easier.

If the limit is getting tight mid-year, ring early. The ABA page says banks may offer extra temporary finance, such as an overdraft, to cover short-term cash shortages in hard times.

For the bigger picture of farm finance, see what loans are available to farmers. If you're funding stock purchases, read livestock finance and restocking after a dry year.

Where to get help

- **Rural Financial Counselling Service:** free, independent help with cashflow budgets and talking to lenders, on 1300 771 741.
- **Regional Investment Corporation:** the RIC Drought Loan can be used for operating costs in drought, if you're eligible. See RIC loans explained.
- **State farm lenders:** see state government farm loans.
- **NSW DPIRD Farm Business Resilience Program:** workshops and coaching on business planning. Check the NSW Government page for what's running.
- **The ATO and your accountant:** for tax timing in the cashflow.
- **A solicitor:** for anything in a facility letter or guarantee you don't understand.

If you'd like the cashflow built and checked before the review, the Bank Review Pack is \$1,850 plus GST. It includes a monthly cashflow and a poor season case. For a first look at your ratios, try the bank ratio check or book a Farm Health Check for \$850 plus GST.

Common questions

Do I pay interest on the whole overdraft limit?

Interest is charged on the amount you use, not the full limit. But many lenders also charge a line fee on the whole limit. Westpac's business overdraft page, for example, says its line fee is charged monthly on the total limit. Check the fees in your own offer.

What is hardcore debt in an overdraft?

It's the part of the overdraft that never gets paid back during the year. If your account never comes above \$40,000 overdrawn, that \$40,000 is acting like a long-term loan. It's a sign the business needs a different structure or a change in its numbers.

Is a seasonal facility better than an overdraft?

Neither is better in general. An overdraft suits costs and income that come in and out all year. A seasonal facility suits a big draw for a season that is cleared from one harvest or sale. Compare the fees, the review date and when each must be repaid.

How often is a farm overdraft reviewed?

Your facility letter says when the limit is reviewed or expires. Many farm facilities are reviewed each year. The bank will usually want a budget and monthly cashflow for the year ahead.

What if my overdraft won't come back down this year?

Talk to the lender early, before the limit is reached. Show them a cashflow with a plan. If you're under real pressure, the Rural Financial Counselling Service is free, on 1300 771 741.

Sources

1. Westpac, Business overdraft
2. Canstar, What is seasonal finance? (2016)
3. Farming Ahead, Short-term cash-flow options (Chris Warrick, 2018)
4. ABARES, Farm debt (2022 to 23 data)
5. Australian Banking Association, Financial assistance hub: agribusiness
6. Australian Banking Association, 2025 Banking Code of Practice (screen reader version)
7. Reserve Bank of Australia, submission on the RBA Amendment (Australian Reconstruction and Development Board) Bill 2013
8. GRDC, Financing: debt structuring and asset life cycles fact sheet (2018)
9. Agriculture Victoria, Rural Financial Counselling Service
10. NSW Government, Farm Business Resilience Program

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