

Exploring the cannabis sector in South Africa

“The cannabis sector in South Africa is evolving rapidly, with significant legislative changes and growing investment opportunities. The country has made substantial strides towards integrating cannabis into its economy, particularly in the medicinal sphere. This article delves into the current state of the cannabis industry in South Africa, the regulatory framework, and the potential for investment, drawing insights from the comprehensive report by Wesgro on "Investing in Cannabis in South Africa.”

Legislative Milestones

The journey towards the legalisation of cannabis in South Africa has been marked by three pivotal events since 2017. Firstly, in 2017, the Department of Health introduced a licensing framework for the domestic cultivation and manufacture of medicinal cannabis. This was followed by a landmark decision by the Constitutional Court in 2018, which decriminalised the private use and cultivation of cannabis based on the right to privacy. On 29 May 2024, President Cyril Ramaphosa signed the Cannabis for Private Purposes Act into law, legalising the private use of cannabis in South Africa. In 2019, the Minister of Health rescheduled cannabidiol (CBD), temporarily excluding certain CBD preparations from stringent regulations, thus broadening access to cannabis products for medicinal use.

Regulatory Framework

The South African Health Products Regulatory Authority (SAHPRA) oversees the regulation of medicinal cannabis. Although no cannabis-containing medicines are currently registered in South Africa, patients can access unregistered cannabis products for medicinal purposes through a special application process. This involves obtaining permission from SAHPRA under Sections 21 and 22 of the Medicines Act. The licensing framework set up by SAHPRA allows for the cultivation, extraction, testing, manufacture, import, and export of cannabis-containing medicines, ensuring that all activities meet high standards of quality and safety.

Location where cannabis can grow

Cannabis, including both hemp and dagga (marijuana), can be cultivated in several regions across South Africa. Hemp grows well in the Eastern Cape, KwaZulu-Natal, and Western Cape, with technological developments potentially making cultivation feasible in other parts of the country. Dagga, on the other hand,

grows well in almost all nine provinces, particularly in an area known as the "dagga belt," which extends from the Eastern Cape to KwaZulu-Natal.

Investment potential in the Western Cape

The Eastern and Western Capes stand out as prime locations to grow cannabis (hemp). South Africa offers notable prospects for investment in the cannabis industry, driven by recent legislative developments. Since 2017, a regulatory framework has permitted the local cultivation and production of medicinal cannabis. The Western Cape is particularly attractive for investment due to its strong agricultural foundations and a burgeoning pharmaceutical sector. This region excels in advanced agricultural techniques like greenhouse and controlled environment farming, ideal for high-quality cannabis production. Additionally, Cape Town's robust health technology sector, supported by prominent universities and research centres, further enhances its investment potential. Wesgro, the agency for trade and investment promotion, assists investors with various services, including navigating government incentives, selecting sites, accessing financing, and making strategic connections. These regulatory frameworks and support services position South Africa, especially the Western Cape, as a prime location for cannabis industry ventures.

Eastern Cape

According to Lubabalo Oscar Mabuyane, a significant R100 million investment has been made in the cannabis sector at the Coega Special Economic Zone (SEZ) in Gqeberha. This investment includes operations for indoor growing, packaging, CBD extraction, and cigarette manufacturing, which will create around 90 direct jobs initially. Over the next five years, an investment of R1 billion is planned, aiming to cultivate 10,000 hectares of cannabis, potentially creating 30,000 job opportunities.

Youth Empowerment

As it stands, the cannabis masterplan speaks about creating work opportunities in the sector, and the plan aims to foster job creation by developing the manufacturing and product development sectors, which will include investing in infrastructure and providing incentives and financial support through blended finance and other sources of funding. The youth can be part of this new sector as scientists who can develop new cultivars, as farmers of plants, processors, and product developers. With clear and inclusive legislation, producers will be able to make money by developing hemp products or products for medicinal use. Hemp products are loved and well received throughout the country.

Local support and resources

Organisations such as Wesgro play a crucial role in promoting investment in the cannabis sector. They provide a range of services to facilitate business establishment and growth, including guidance on accessing governmental incentives, site location assistance, and strategic matchmaking. Additionally, the City of Cape Town offers various support services, including investment facilitation and an incentive scheme for job-creating investments.

In conclusion, South Africa's cannabis sector presents a compelling opportunity for investors, driven by a supportive regulatory environment and the region's inherent agricultural and research strengths. The continued development of the licensing framework and the commitment of local institutions to foster growth in this sector

will be pivotal in realising the full potential of cannabis in the South African economy. Ensuring that the value chain is fully capitalised would be beneficial for the country.

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