

# A PROFILE OF THE SOUTH AFRICAN HEMP MARKET VALUE CHAIN

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## RECENT DEVELOPMENTS

The European Union and many South African Companies are planning a R25 million five year project plan to boost hemp cultivation in South Africa. Projects are being discussed in the Eastern Cape for sustainable hemp production that will produce jobs and income in an already impoverished and poverty-stricken area. Demand for hemp products worldwide has increased by 233% over the past two years and yearly South African Hemp imports have grown from R500 000 to more than R1-million rands in the last year.

### 1. DESCRIPTION OF THE INDUSTRY

Hemp is one of the most important fiber crops both for South Africa and the rest of the world. It has been cultivated longer than any other fiber crop. There seems to be never-ending list of benefits of the hemp plant with products ranging from clothing and textile to cosmetics and insulating boards. However it is the perceived relationship with Marijuana that gave the plant a bad name. Both come from the plant family *Cannabis sativa* L., but from different varieties. Hemp has been grown in South Africa for medical purposes for centuries. It has been illegal in South Africa since 1903 when dagga prohibition was passed.

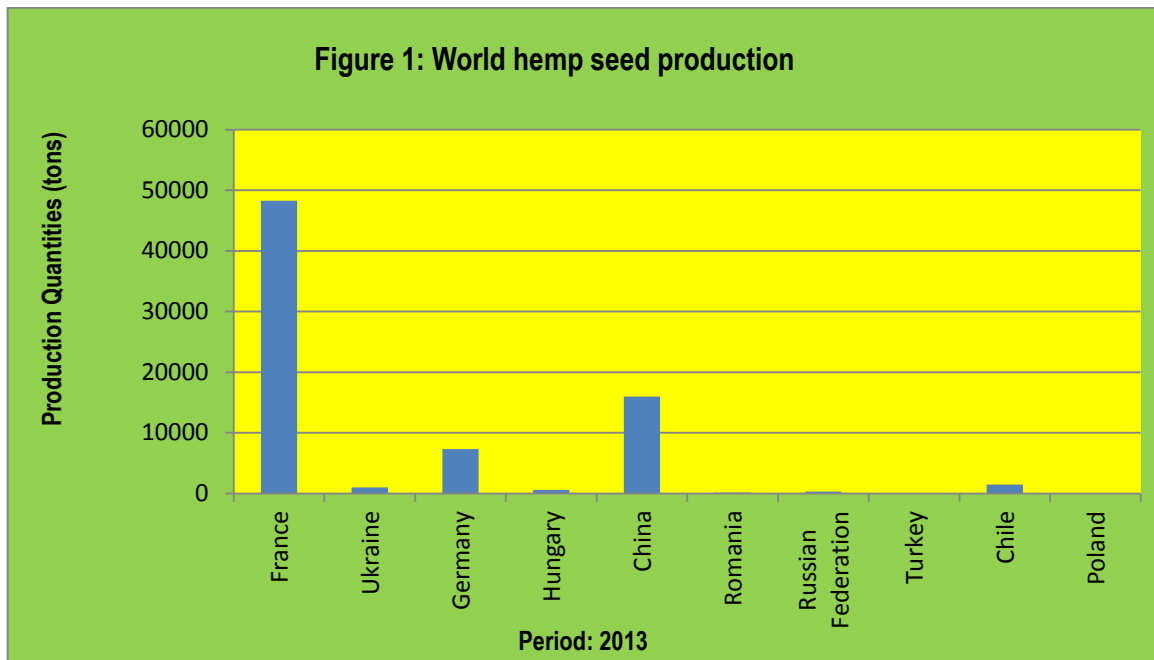
The South African government and the private sector are presently engaged in a process of trying to sort out the hemp legislation to create an environment in which this product can be commercialized. The product is currently grown in South Africa mainly for the experimental or research purposes. Hemp fabrics; hemp clothes; hemp oils; also bags, hats, jewellery, cosmetics, hemp animal feed, aeroplane parts, gasoline, charcoal, drinks, sweets and paints are but a few products that can be made out of the Hemp plant.

#### 1.1 Production Areas

Hemp is widely distributed in Southern Africa. The first trials were planted in the North West Province in ARC experimental farm near Rustenburg. The other trials were planted by ARC-Institute for Industrial Crops in the Eastern Cape and Western Cape, Limpopo, Gauteng, Mpumalanga, KwaZulu-Natal and Northern Cape. The largest producers of hemp in the world are countries in Western Europe (France and Germany) and China during 2013. At least 14 countries permit commercial cultivation of hemp, France, China and Germany being the biggest producers of hemp in Europe and Asia during the period under review.

#### 1.2 Global Hemp Production

Figure 1 below illustrates world hemp seed production during 2013 production season. The figure further illustrates that France was the biggest producer of hemp seed in the world, followed by China and Germany over the same period under examination. The figure also illustrates that France produced approximately 48 264 tons of hemp seed while China and Germany produced around 16000 and 7 000 tons of hemp seed respectively during the same period. The figure further illustrates that Turkey, Poland, Romania and Hungary had very low levels of hemp seed production of not more than 600 in 2013 under scrutiny. The figure also illustrates that none of the African countries are producing hemp seed hemp in 2013 due to the legislative issues surrounding the production of hemp especially in South Africa.



Source: Food and Agriculture Organization

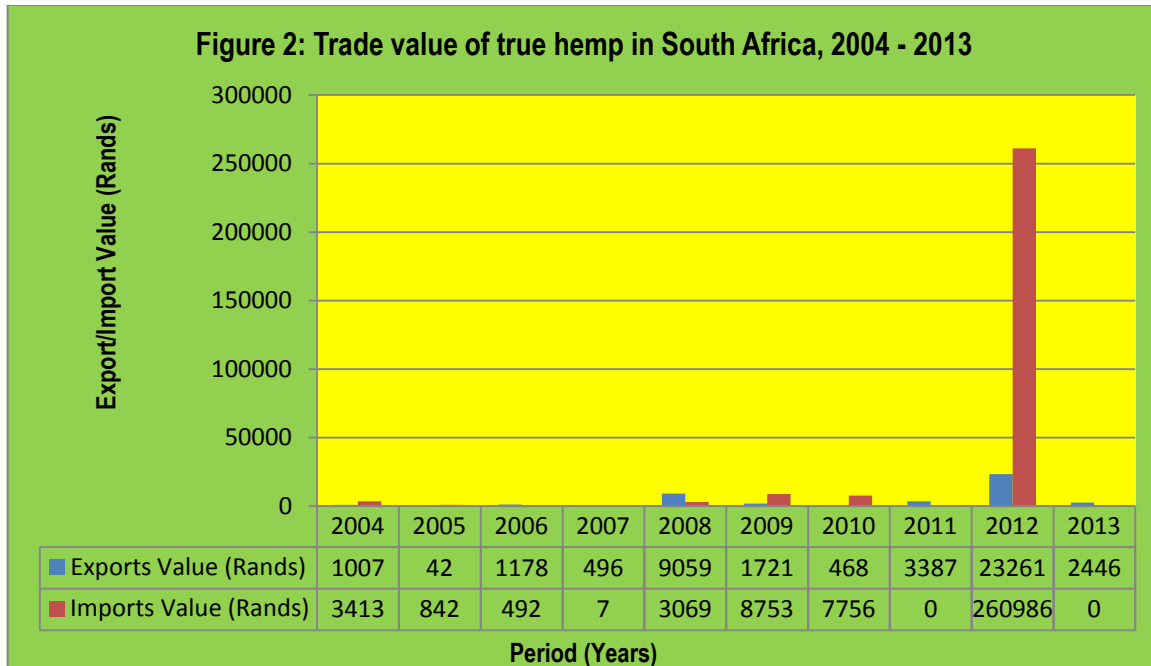
## 2. MARKET STRUCTURE

### 2.1. Domestic Market and Prices

In South Africa not enough hemp is produced for the local market due to legislative barriers. There is an existing market in South Africa for imported hemp products, mainly hemp textiles and fibre. Several hemp products, such as clothing, soaps, and shampoo, are manufactured in South Africa from imported raw materials and then exported to different global markets. There is also potential demand in some other segments of the local market, such as, for example, hemp based composite materials.

### 2.2. Import-Export Analysis

Figure 2 below indicates analysis and comparison of exports and imports of true hemp by South Africa between 2004 and 2013.

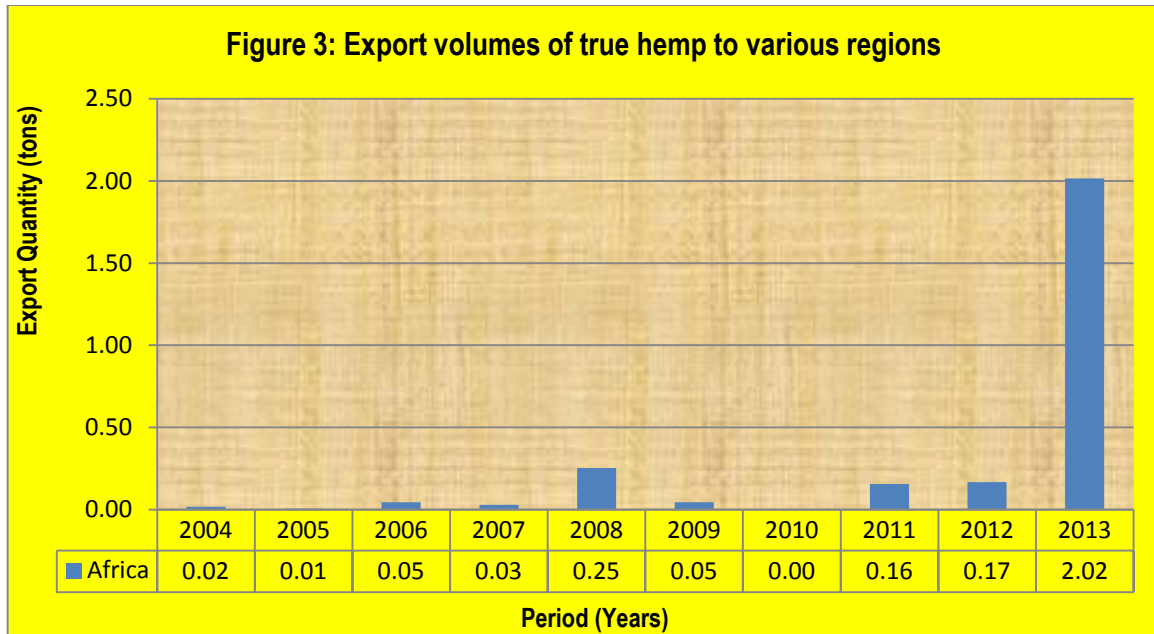


Source: Quantec EasyData

In the figure below, it clear that South Africa is a net importer of hemp (mainly hemp fiber and seed) and this is due to low level of production in the country resulting from the fact that hemp production is not legal in South Africa at the moment. Although hemp is not legitimately produced in the country, its products are in high demand leading our manufacturers to buy it as raw material from countries where it is produced in larger amounts and legally. It appears from figure 2 that from the year 2004 to 2013 with the exception of 2011, South Africa imported true hemp fiber and seed for processing purposes and then later export the processed products to the world. The figure further indicates that throughout the period under examination, the value of hemp exports had been below R25 000. Also interesting to note was that in 2006, 2007, 2008 and 2009, hemp import values proved to be far beyond export values. The figure also indicates that in 2007, hemp imports volumes from the world into South Africa experienced very low volumes at R7.00, while exports of hemp from South Africa to the world slightly increased to approximately R496.00. The figure further indicates that in 2009, import value of true hemp started to increase from 3413 in 2004 to R8 753 in 2009. The decline in import value of true hemp was experienced in 2010 and 2011 at lower levels of approximately R7 756, until an increase and a peak was attained in 2012 at about R260 986.00. The figure also indicates that in 2013, South Africa experienced a decline in exports of hemp products, while the country did not import any hemp ingredients over the same period. The increase in exports of true hemp products from South Africa to the world in 2013 represents 142.9%, as compared to 2004 marketing season. The decline in imports of true hemp products from the world into South Africa in 2013 represents 100%, as compared to 2004 marketing season.

### 3. HEMP EXPORTS

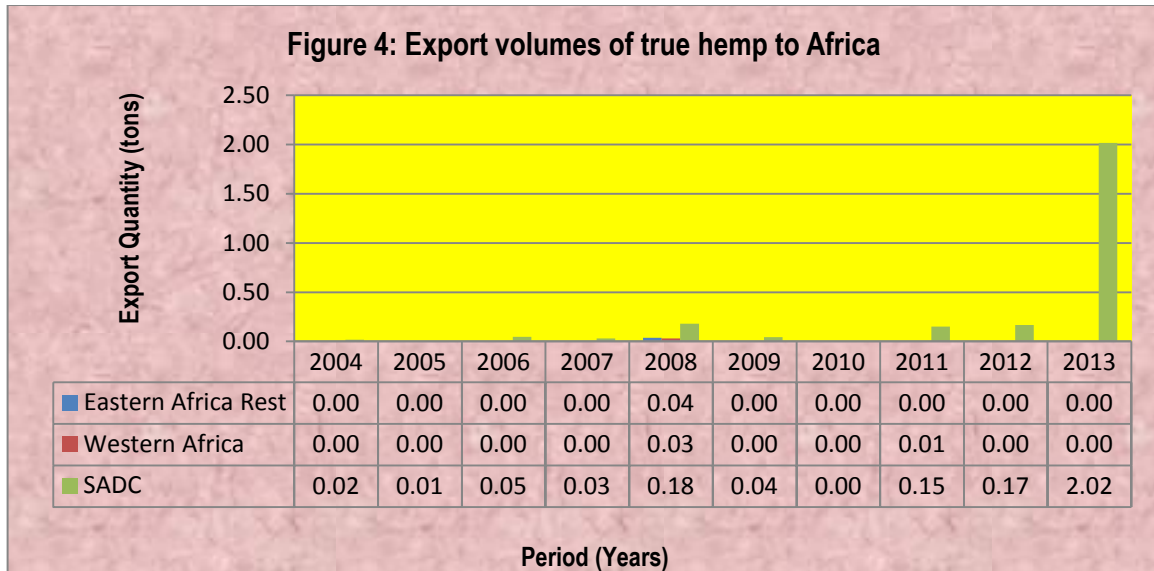
Figure 3 depicts export volumes of true hemp products from South Africa to various regions of the world between 2004 and 2013 marketing season.



Source: Quantec EasyData

During the same period under review (2004 to 2013), South Africa has been exporting its hemp products mainly to the African continent with no competition from the other world regions. The graph further depicts that export volumes of true hemp products from South Africa to the world were from a low base during the first half of the ten year period under review. Conversely, export volumes of true hemp products from South Africa to the world were from a high base during the second half of the same period under review attaining a peak in 2013 at approximately 2.02 tons. The graph also depicts that export volumes of hemp products from South Africa to the world experienced a substantial increase in 2013 at approximately 2.02 tons as compared to 0.02 tons in 2004 marketing season. The decline in true hemp products exported from South Africa to Africa in 2013 represents 10000%, as compared to 2004 marketing season.

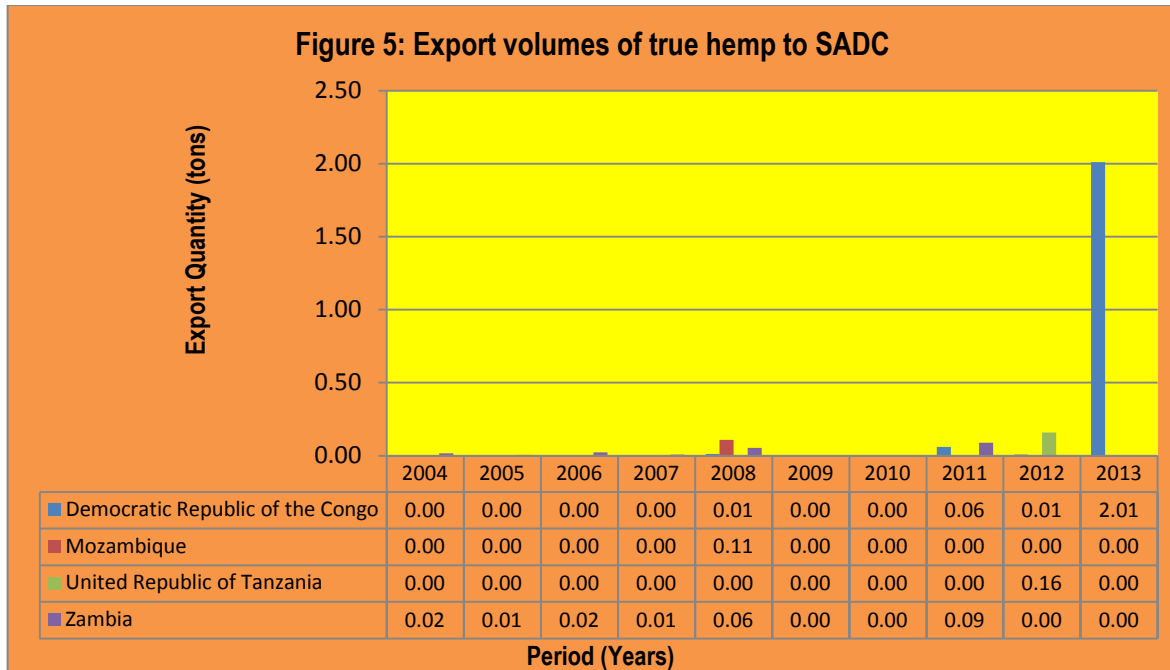
Figure 4 shows export volumes of true hemp products from South Africa to Africa between 2004 and 2013 marketing season.



Source: Quantec EasyData

The figure further shows that South African produced hemp products were exported mainly to the SADC region over the past decade. This can be ascribed to the fact that there's preferential tariff agreement between SADC and South Africa, making it cheaper to export to SADC than to other regions. Export volumes of true hemp products from South Africa to SADC were from a low base during the first half of the ten year period, while export volumes of true hemp products from South Africa to SADC were from a high base during the second half of the same period attaining a peak in 2013 at approximately 2.02 tons. The figure also shows that in 2010, South Africa did not export true hemp products from SADC. The increase in true hemp products exports from South Africa to SADC in 2013 represents 10000%, as compared to 2004 marketing season.

Figure 5 illustrates volumes of true hemp products exports from South Africa to the SADC region between 200 and 2013 marketing season.

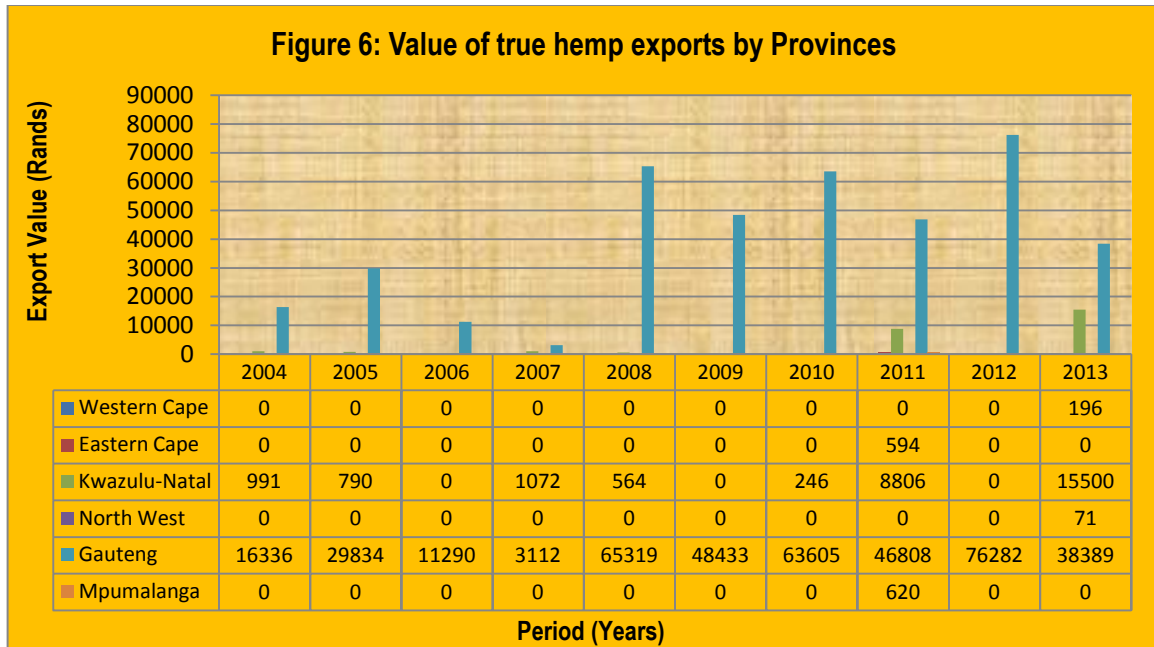


Source: Quantec EasyData

The figure further illustrates that during the period under review, the major market for South African true hemp products exports was mainly Democratic Republic of Congo, followed by very intermittent exports to Mozambique, United Republic of Tanzania and Zambia. This can be ascribed to the fact that there's preferential tariff agreement between South Africa and SADC countries making it cheaper to export to Democratic Republic of Congo than to other world countries. The figure also illustrates that export volumes of true hemp products from South Africa to Democratic Republic of Congo were from a low base during the first half of the ten year period, while during the second half of the same period under review attained a peak in 2013 at approximately 2.01 tons. Between 2004 and 2007, and again between 2009 and 2010 of the period under review, there were no true hemp products exports from South Africa to DRC. The increase in true hemp products exports from South Africa to DRC in 2013 represents 100%, as compared to 2004 marketing season.

Figure 6 depicts export values of true hemp products originating from different provinces of South Africa to the world over the past ten years (2004-2013).



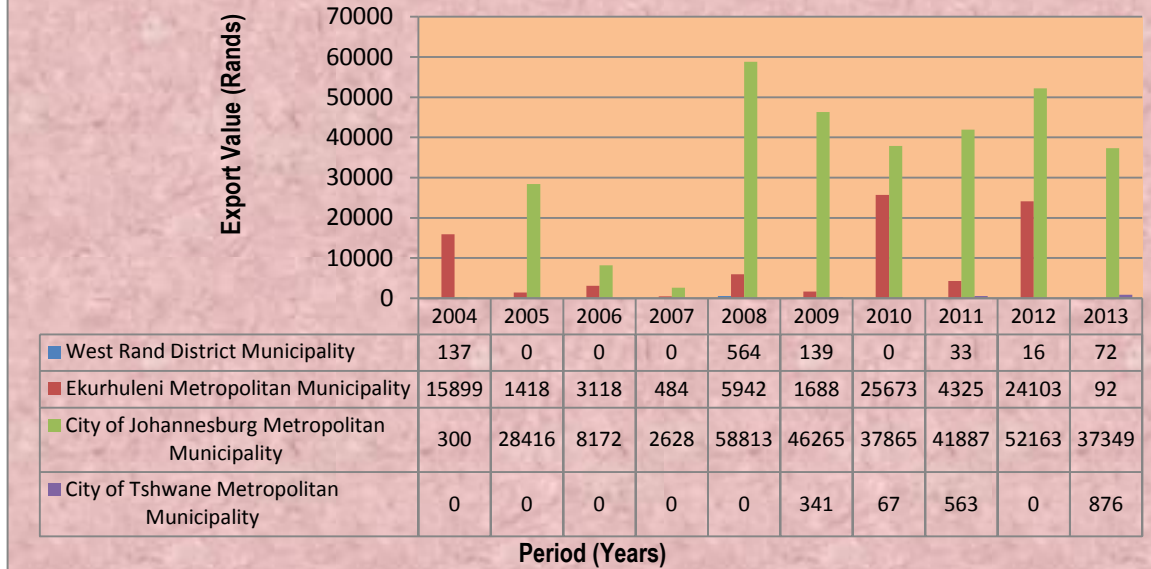


Source: Quantec EasyData

The figure further depicts that during the period under review, the major supplier of true hemp product exports from South Africa to the world was Gauteng Province, followed by very low or intermittent supply from Western Cape, Eastern Cape, KwaZulu-Natal, North West and Mpumalanga Provinces. The figure also depicts that exports of true hemp products from Gauteng province to the world were from a low base during the first half of the ten year period attaining a peak in 2008 at about R65319. Conversely, exports of true hemp products from Gauteng Province to the world were from a high base during the second half of the ten year period attaining a peak in 2012 at about R76 282. In 2013, there was a slight decline in exports of true hemp products from Gauteng province to the world to lower levels of approximately R38389.00. The increase in the value of true hemp product exports from Gauteng to the world in 2013 represents 134.9%, as compared to 2004 marketing season.

Figure 7 indicates export value of true hemp products by Gauteng Province to the world between 2004 and 2013 marketing season.

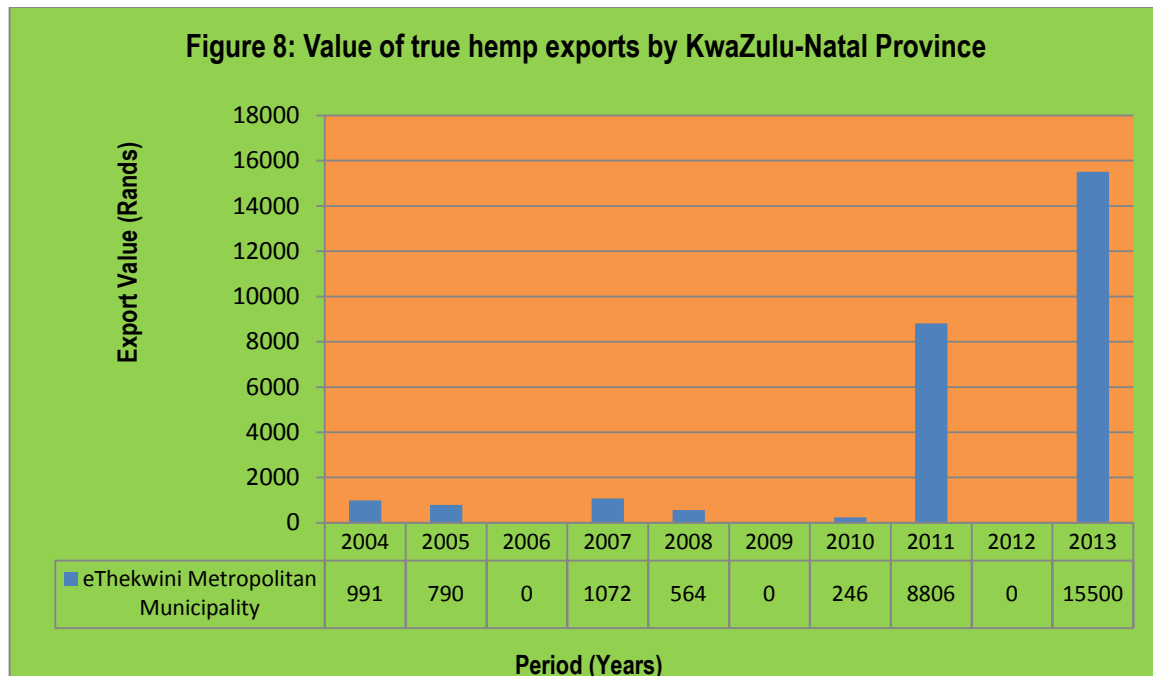
**Figure 7: Value of true hemp exports by Gauteng Province**



Source: Quantec EasyData

The graph further indicates that during the same period under review, the major supplier of true hemp products from Gauteng province to the world was City of Johannesburg Metropolitan Municipality, followed by decent volumes of true hemp products from Ekurhuleni Metropolitan municipality. The graph also depicts that exports of true hemp from the City of Johannesburg Metropolitan Municipality to the world attained a peak in 2008 and 2012 at export values of about R58 813.00 and R52 163.00 respectively. West Rand District and Tshwane Metropolitan municipalities had very intermittent exports of true hemp products during the same period under review. The increase in export value of true hemp products from the City of Johannesburg Metropolitan municipality to the world in 2013 represents 12349%, as compared to 2004 marketing season.

Figure 8 below indicates export values of true hemp products by KwaZulu-Natal Province to the world between 2004 and 2013 marketing season.



Source: Quantec EasyData

The figure further indicates that during the period under review, the major supplier of true hemp products from KwaZulu-Natal province to the world was eThekwini Metropolitan Municipality with no competition from other provincial municipalities. The graph also indicates that export values of true hemp products from the eThekwini Metropolitan Municipality to the world were from a low base during the first half of the ten year period attaining a maximum of R1072.00 in 2007. Export values of true hemp products from the eThekwini Metropolitan Municipality to the world were from a high base during the second half of the same period under review attaining a peak in 2013 at approximately R15 500.00. The figure further indicates that in 2006, 2009 and 2012, there were no exports of true hemp products from the eThekwini Metropolitan Municipality to the world due to short supply in the province. The increase in export value of true hemp products from eThekwini Metropolitan municipality to the world in 2013 represents 1464%, as compared to 2004 marketing season.

### 3.1 Share Analysis

As shown in Table 1 below, Gauteng Province was the main exporting province of true hemp products in South Africa between 2004 and 2013 marketing season. The table further shows that KwaZulu-Natal, Western and Eastern Cape, North West and Mpumalanga Provinces exported very low or intermittent hemp products to the world over the same period.

**Table 1: Share of provincial exports to the total RSA hemp exports (%)**

Years Province	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
KwaZulu-Natal	5.72	2.58	0	25.62	0.86	0	0.39	15.83	0	28.62

Years Province	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Gauteng	94.28	97.42	100	74.38	99.14	100	99.61	82.37	100	70.89
Western Cape Prov	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.36
Eastern Cape Prov	0.00	0.00	0.00	0.00	0.00	0.00	0.00	594	0.00	0.00
North West Province	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.13
Mpumalanga Province	0.00	0.00	0.00	0.00	0.00	0.00	0.00	620	0.00	0.00

Source: Calculated from Quantec Data

Table 2 below indicates that during the period under review (2004 to 2013), the City of Johannesburg Metropolitan Municipality commanded the greatest share of exports of processed hemp products from Gauteng province with the exception of 2004 year, while Ekurhuleni Metropolitan Municipality commanded the greatest share in the year 2004. The West Rand District Municipality's share of processed hemp products was very low with no exports recorded between 2005 and 2007 and again in 2010. The Tshwane Metropolitan Municipality's share of processed hemp products was very low with no exports recorded between 2004 and 2008 and again in 2012.

**Table 2: Share of district hemp exports to the total Gauteng provincial hemp exports (%)**

Years District	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
West Rand	0.84	0	0	0	0.86	0.29	0	0.07	0.02	0.19
Ekurhuleni Metro	97.32	4.75	27.62	15.55	9.10	3.49	40.36	9.35	31.60	0.24
City of Johannesburg	1.84	95.25	72.38	84.45	90.04	96.20	59.59	89.49	63.38	97.3
City of Tshwane	0	0	0	0	0	0.70	0.11	1.20	0	2.28

Source: Calculated from Quantec Data

Table 3 below indicates that during the period under review, eThekweni Metropolitan Municipality commanded the greatest share of exports of processed true hemp products from KwaZulu-Natal province over the past decade (2004 to 2013).

**Table 3: Share of district hemp exports to the total KwaZulu-Natal provincial hemp exports (%)**

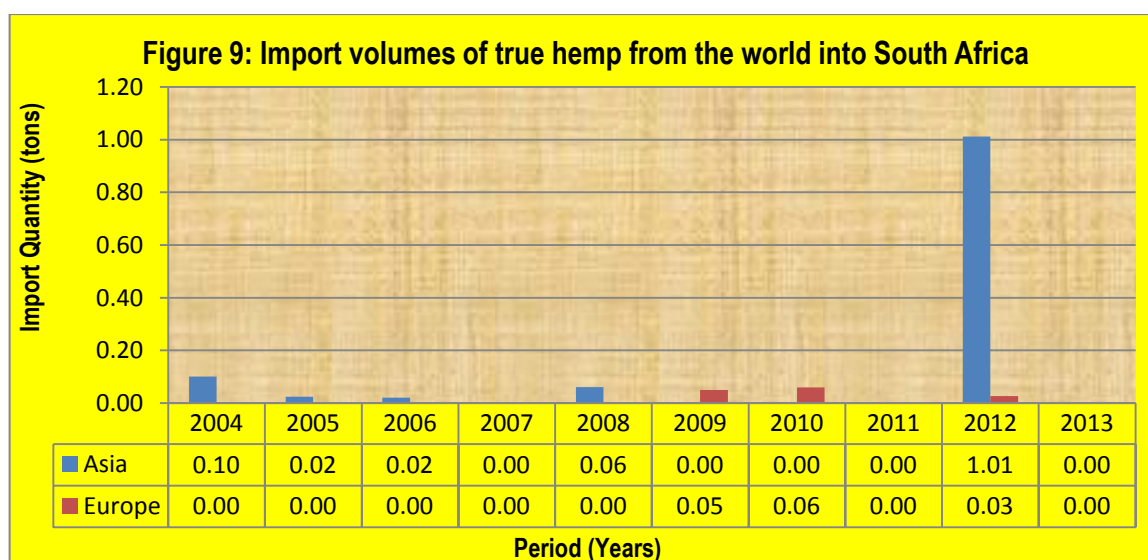
Years District	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
eThekweni Metro Municipality	100	100	0	0	100	0	100	100	0	100

Source: Calculated from Quantec Data

#### 4. HEMP IMPORTS

This section analyses the value of true hemp imports from various regions around the globe into South Africa from 2004 to 2013 marketing season.

Figure 9 shows import volumes of true hemp products originating from various regions of the world into South Africa over the past decade (2004 – 2013).

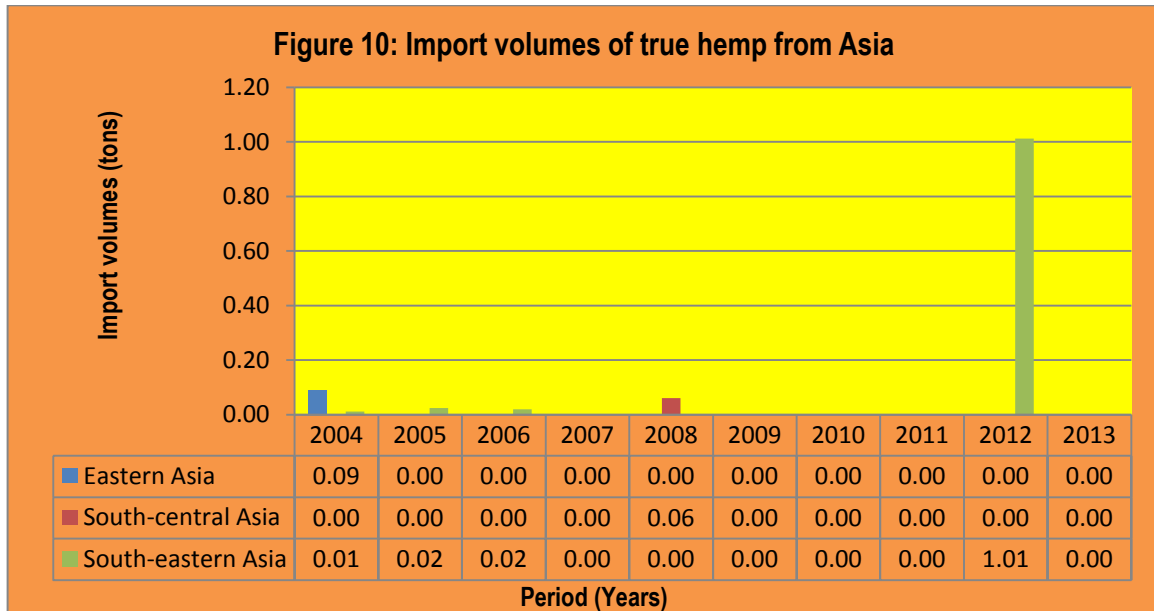


Source: Quantec EasyData

Figure 9 further shows that import markets for true hemp products to South Africa originated mainly from Asia during the period under review. This is mainly because true hemp production in these regions has been legalized and is produced on a larger scale than in other regions. South Africa normally imports hemp raw materials from these countries for the manufacturing of the products such as clothing, soaps and shampoo (and other health care products). The figure also shows that in 2013, volumes of true hemp imports from Asia into South Africa were from a low base during the first half of the ten year period, while volumes of true hemp imports from Asia into South Africa were from a higher base during the second half of the same period under scrutiny attaining a peak in 2012 at about 1.01 tons. The figure also shows that in 2007, 2009, 2011 and in 2013, there were no import volumes of true hemp products from Asia into South Africa. The decline in true hemp

product imports from Asia into South Africa in 2013 represents 100%, as compared to 2004 marketing season.

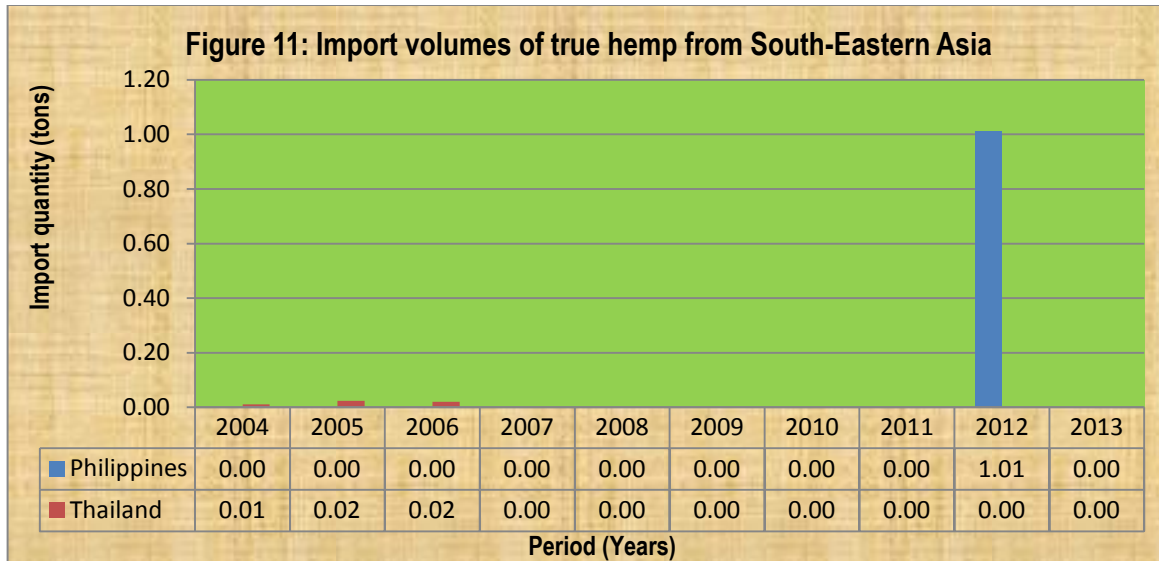
Figure 10 illustrates import volumes of true hemp products from Asia into South Africa between 2003 and 2013.



Source: Quantec Easy Data

The figure further illustrates that during the period under scrutiny, imports of processed hemp products from Asia were mainly from South-eastern Asia. Hemp is thought to have been growing in South-central Asia for more than 4500 years and records illustrates that the growing of this plant has never stopped in this continent since then, giving Asia a comparative advantage in the market. Imports of true hemp processed products from South-eastern Asia into South Africa started to increase substantially in 2012 and at the same time attained a peak at approximately 1.01 tons. The graph further illustrates that between 2007 and 2011 and again in 2013, there were no imports of true hemp processed products from South-eastern Asia into South Africa. The decline in import volumes of true hemp processed products from South-eastern Asia into South Africa in 2013 represents 100%, as compared to 2004 marketing season.

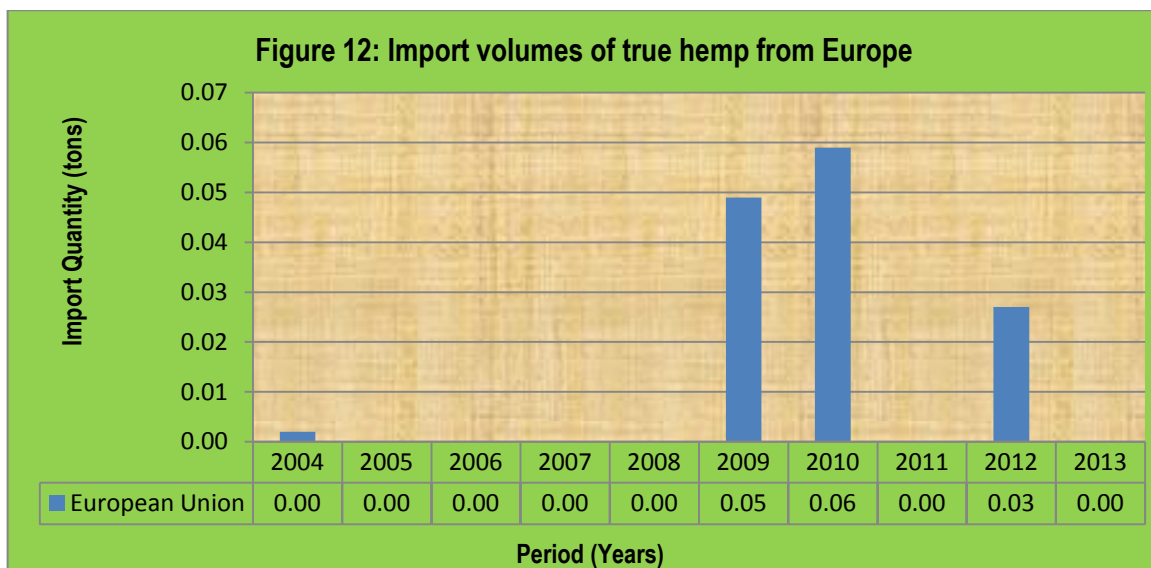
Figure 11 indicates import volumes of true hemp processed products from South-eastern Asia into South Africa between 2004 and 2013.



Source: Quantec EasyData

The figure further indicates that during the period under scrutiny, imports of true hemp processed products from South-eastern Asia into South Africa were mainly from Philippines. Imports of true hemp processed products from Philippines into South Africa started to increase in 2012 and at the same time attained a peak at approximately 1.01 tons. Between 2004 and 2011 and again in 2013 of the period under scrutiny, there were no imports of true hemp processed products from Philippines into South Africa. There was no growth in true hemp import volumes from Philippines into South Africa in 2013 and that represents 0.00%, as compared to 2004 marketing season.

Figure 12 below depicts import volumes of true hemp processed products from Europe into South Africa between 2004 and 2013 marketing season.

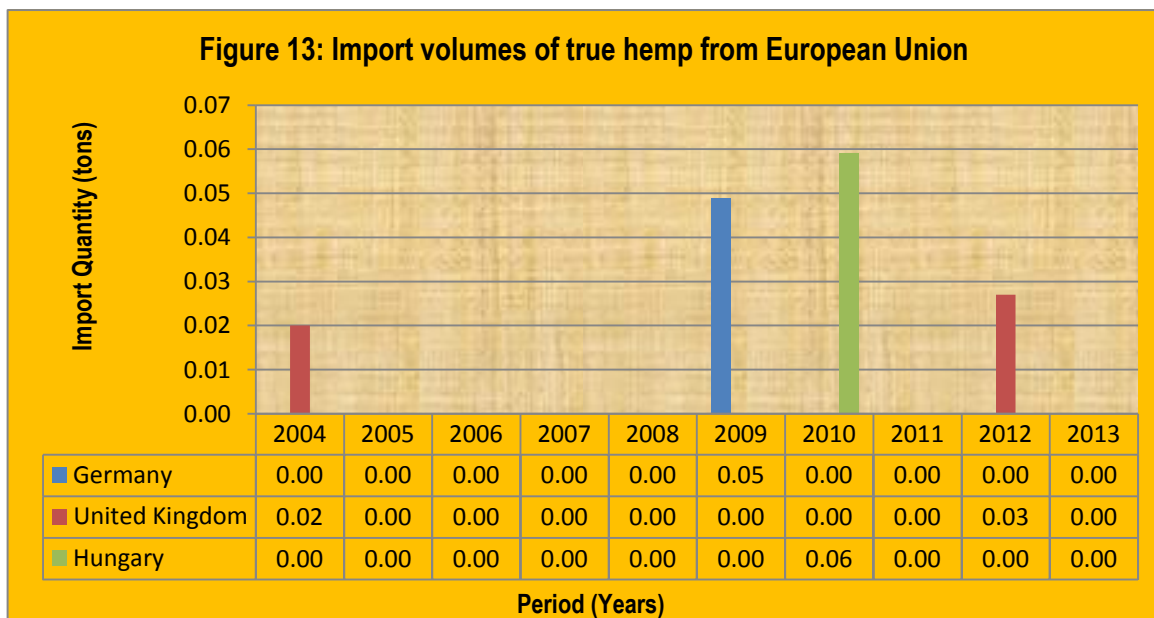


Source: Quantec EasyData

The figure further depicts that during the period under scrutiny, the major import market for true hemp processed products from Europe into South Africa was mainly from European Union. South

Africa imported true hemp products from the European Union into South Africa at approximately 0.14 tons during the past ten years. The figure also depicts that between 2004 and 2008 and again in 2011 and 2013, there were no imports of true hemp processed products from the European Union into South Africa. The figure further depicts that imports of true hemp products from European Union into South Africa started to increase in 2009, until a peak was attained in 2010 at approximately 0.06 tons. During 2012 of the period under review, the figure also indicates that there was a decline in imports of true hemp products from European Union into South Africa to lower levels of about 0.03 tons. There was no growth in import volumes of true hemp products from European Union into South Africa in 2013 and that represents 0.00%, as compared to 2004 marketing season.

Figure 13 below shows import volumes of true hemp processed products from European Union into South Africa between 2004 and 2013 marketing season.



Source: Quantec Easy Data

The figure further shows that during the period under scrutiny, the major import market for hemp processed products from European Union was mainly Hungary; followed by Germany and United Kingdom. South Africa imported true hemp materials from Hungary only in 2010 at approximately 0.06 tons of the period under examination. The figure also shows that between 2004 and 2009 and again between 2011 and 2013, there were no imports of true hemp processed products from Hungary into South Africa. During the same period under review, the figure further shows that there were no imports of true hemp products from United Kingdom into South Africa between 2005 and 2011 and again in 2013. Germany just like Hungary only managed to export true hemp products into South Africa in 2009 at approximately 0.05 tons. There was no growth in import volumes of true hemp products from Hungary into South Africa in 2013 and that represents 0.00% as compared to 2004 marketing season.



## 5. MARKET INTELLIGENCE

**Table 4: List of importing markets for true hemp exported by South Africa to the world in 2013**

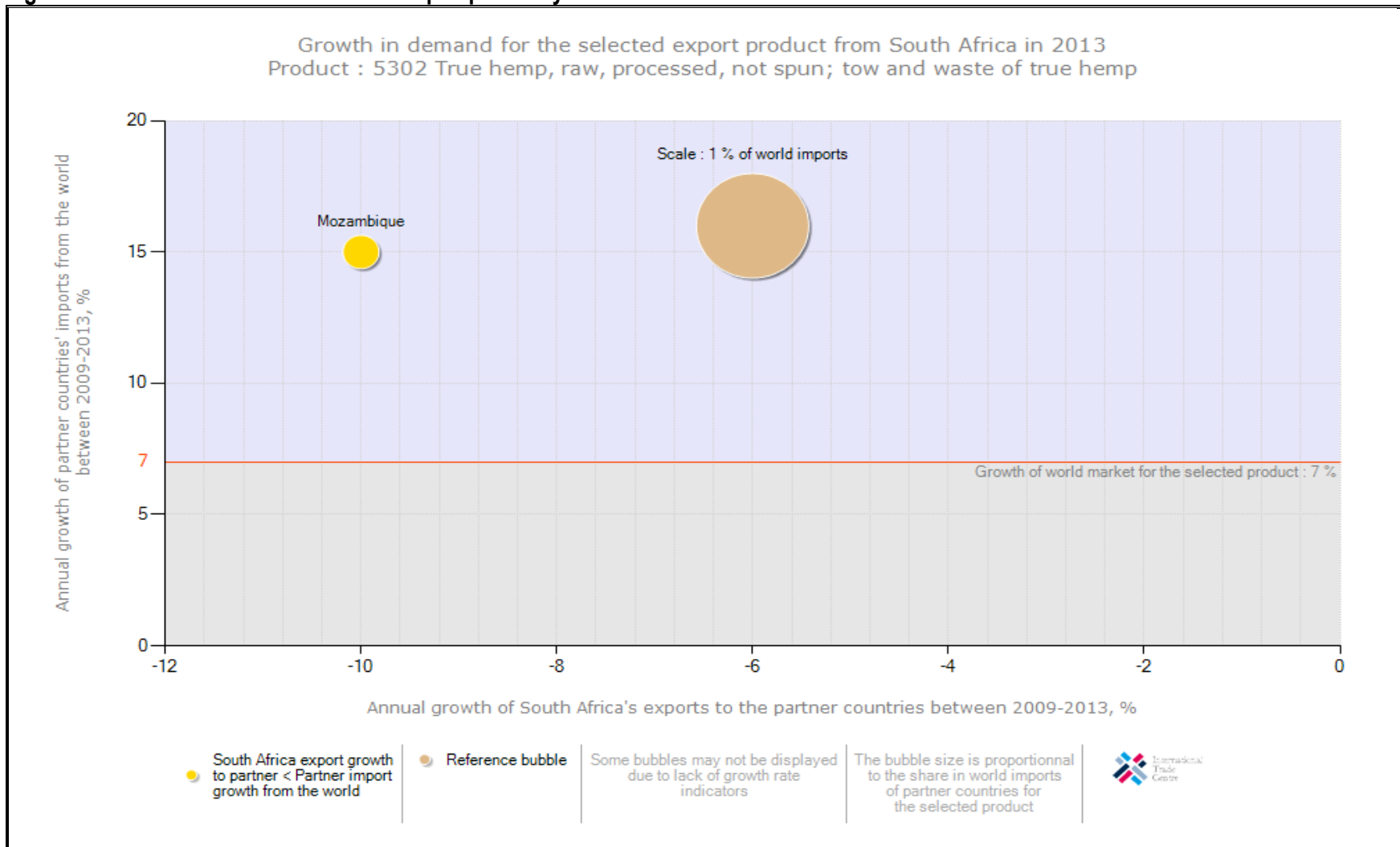
Importers	Trade Indicators							Tariff (estimated) faced by South Africa (%)
	Exported value 2013 (USD thousand)	Share in South Africa's exports (%)	Exported quantity 2013 (tons)	Unit value (USD/unit)	Exported growth in value between 2009-2013 (% p.a.)	Exported growth in quantity between 2009-2013 (% p.a.)	Exported growth in value between 2012-2013 (% p.a.)	
World	26	100	11	2364	34	51	189	
Botswana	19	73.1	8	2375				0
Mozambique	3	11.5	1	3000	-10	-7	0	0
United Republic of Tanzania	2	7.7	0				-33	0
Namibia	1	3.8	0					0

Source: Trade Map

Table 4 shows the list of importing markets for true hemp exported by South Africa to the world in 2013. The table further shows that the top importers for true hemp from South Africa to the world were Botswana and Mozambique during 2013 marketing season. The table also shows that South Africa was a net exporter of true hemp products as South Africa exported 11 tons of true hemp products, while there were no imports over the same period under review.

The table further shows that Botswana and Mozambique had highest share in South Africa's exports of true hemp products of about 73.1% and 11.5% respectively during this period. The table also shows that Tanzania, Republic of had 7.7% share and Namibia had 3.3% share over South Africa's exports of true hemp products during 2013 marketing season.

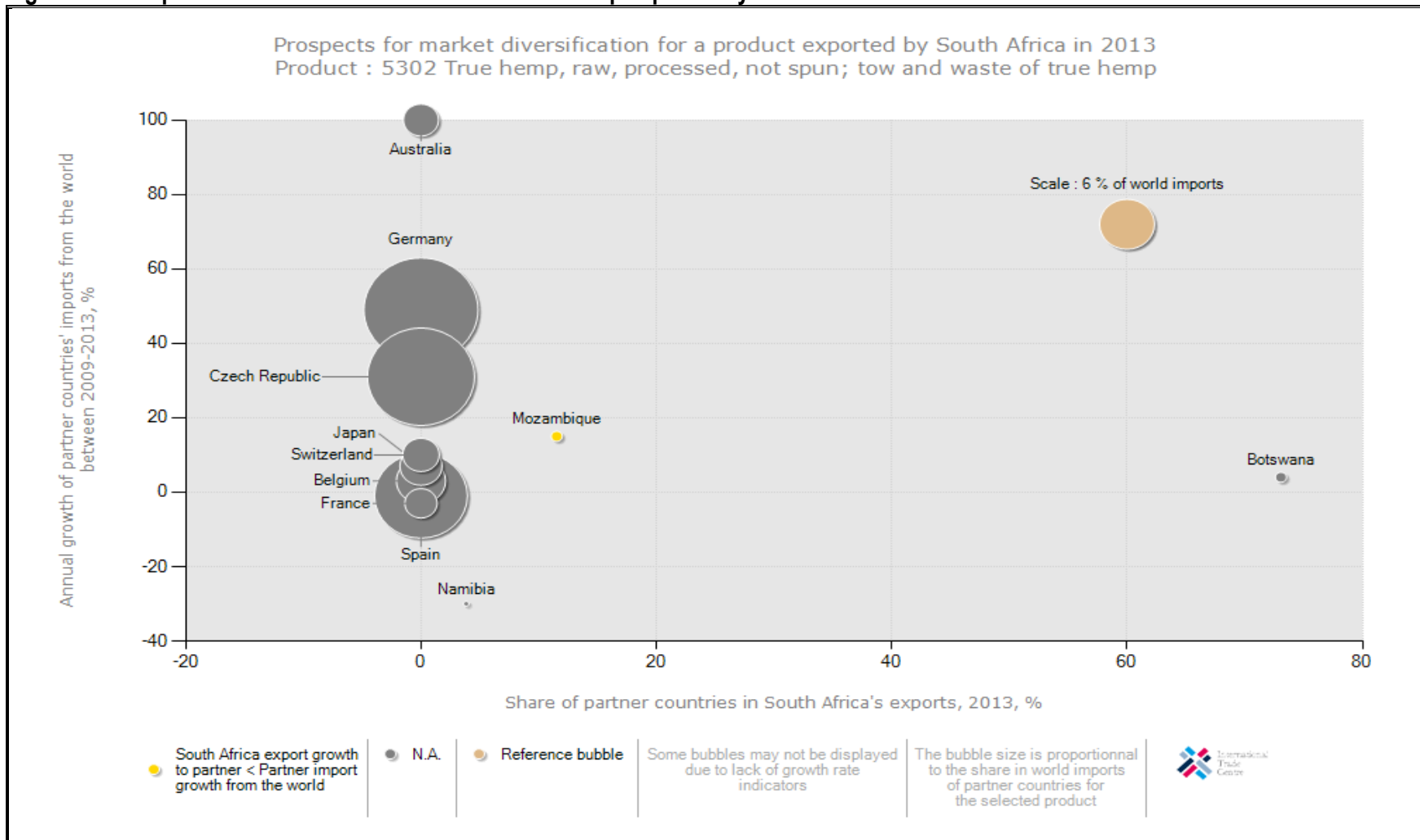
**Figure 14: Growth in demand for true hemp exported by South Africa in 2013**



Source: Trade Map

Figure 14 indicates growth in demand for exports of true hemp products from South Africa to the world in 2013. The bubble graph further indicates that South Africa's annual growth of South Africa's exports to Mozambique in 2013 has declined in value and quantity by 10% and 7% between 2009 and 2013. The graph also indicates that during the period under examination, the annual growth of world imports to Mozambique in 2013 has increased by approximately 15% as compared to the annual growth of South Africa's exports that declined by 10% between 2009 and 2013.

**Figure 15: Prospects for market diversification for true hemp exported by South Africa in 2013**



Source: Trade Map

Figure 15 depicts prospects for market diversification for exports of true hemp products from South Africa to the world in 2013. The bubble graph further depicts that the Mozambique was the biggest export market for true hemp products from South Africa over the period under review. Mozambique's share of partner countries in South Africa's exports in 2013 has increased but at a slow pace (10%) compared to imports of the same products from the world at approximately 20%. Botswana and Mozambique's share ranged between 11% and 73% during 2013 marketing season. The graph also depicts that during the period under examination, Botswana was a small but attractive market for South African true hemp product exports over the same period.

The graph further depicts that annual growth of Botswana imports from the world grew negatively by 0.5%, while the share of partner countries grew to approximately 73% between 2009 and 2013.

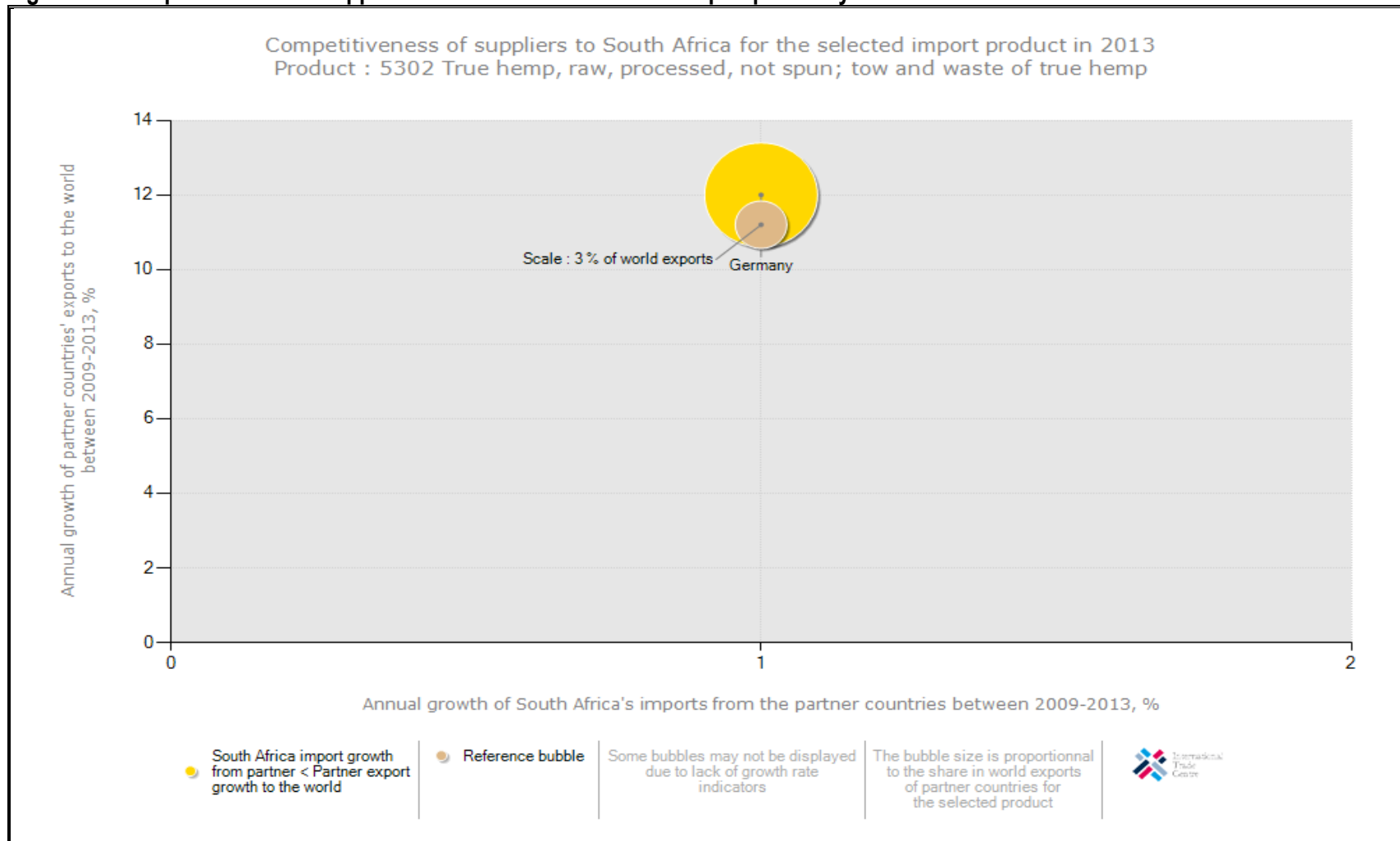
**Table 5: List of supplying markets for true hemp imported by South Africa in 2013**

Exporters	Trade Indicators							Tariff (estimated) applied by South Africa (%)
	Imported value 2013 (USD thousand)	Share in South Africa's imports (%)	Imported quantity 2013 (tons)	Unit value (USD/unit)	Imported growth in value between 2009-2013(%, p.a.)	Imported growth in quantity between 2009-2013 (%, p.a.)	Imported growth in value between 2012-2013 (%, p.a.)	
World	2	100	0		32		-94	
France	1	50	0					0
Germany	1	50	0		0			0

Source: Trade Map

Table 5 presents the list of supplying markets for true hemp products imported by South Africa from the world in 2013. The table further shows that South Africa is a net exporter of true hemp during 2013 as the country did not import true hemp products and exported 11 tons over the same period. The table also shows that the major supplier of true hemp products from the world into South Africa was France over the period under examination. The table further shows that should the country wish to import true hemp products from the world, Germany is one of the most attractive markets for South Africa during the same period under scrutiny. The table further shows that France and Germany had equal share in South Africa's imports of true hemp products at about 50% respectively during this period.

**Figure 16: Competitiveness of suppliers to South Africa for true hemp imported by South Africa in 2013**



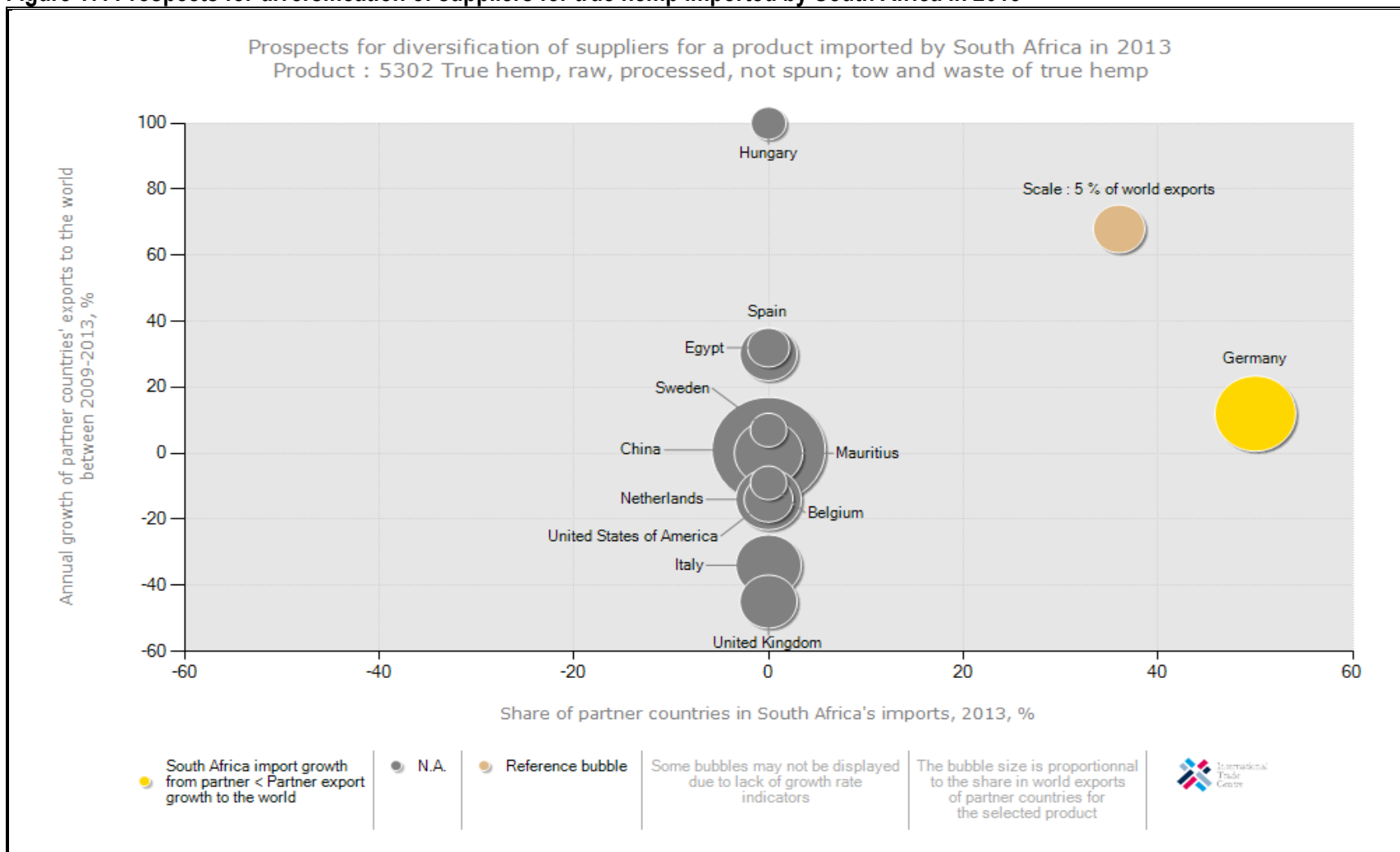
Source: Trade Map

Figure 16 depicts competitiveness of suppliers to South Africa for true hemp products imported by South Africa from the world in 2013. The bubble graph further depicts that Germany was the biggest supplier and most competitive supplier of true hemp products to South Africa during 2013. The bubble graph also depicts that Germany's share of partner countries in South Africa's imports was approximately 50% and with an annual growth of partner countries's exports to the world at 12% between 2009 and 2013.

The graph also depicts that should South Africa decide to diversify its suppliers of imports of true hemp products, small but attractive markets exist in Germany during the period under review.



**Figure 17: Prospects for diversification of suppliers for true hemp imported by South Africa in 2013**

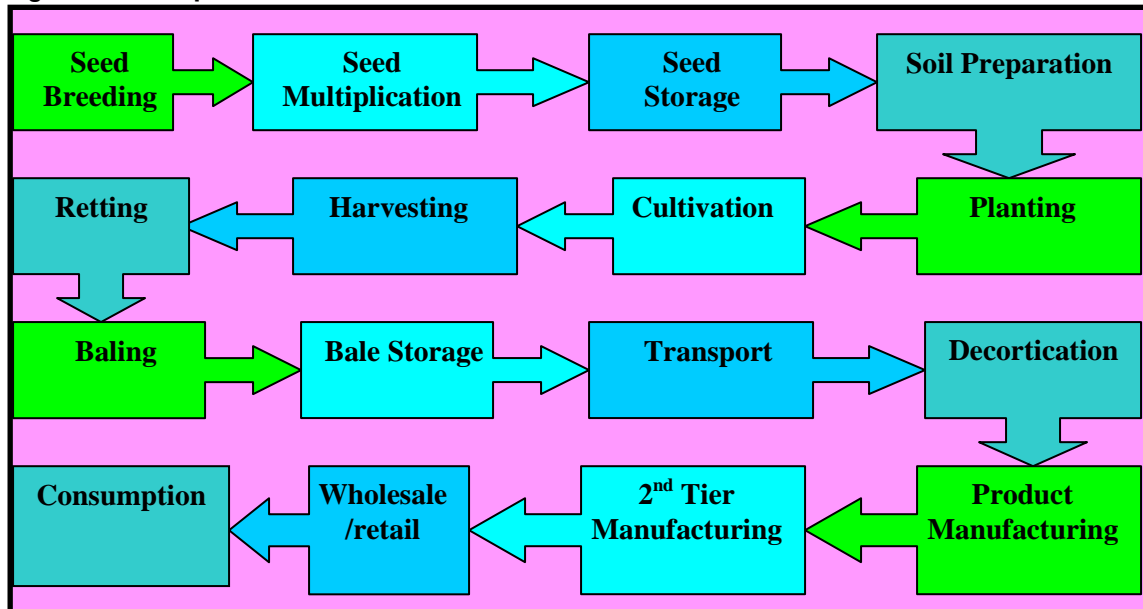


Source: Trade Map

Figure 17 above illustrates prospects for diversification of suppliers for true hemp products imported by South Africa from the world in 2013. The bubble graph further illustrates that Germany was the biggest supplier of true hemp products into South Africa over the same period. The graph also illustrates that should South Africa decide to diversify its suppliers of imports of true hemp products, small but attractive markets exist in Germany and France during the period under examination.

## 6. HEMP MARKET VALUE CHAIN

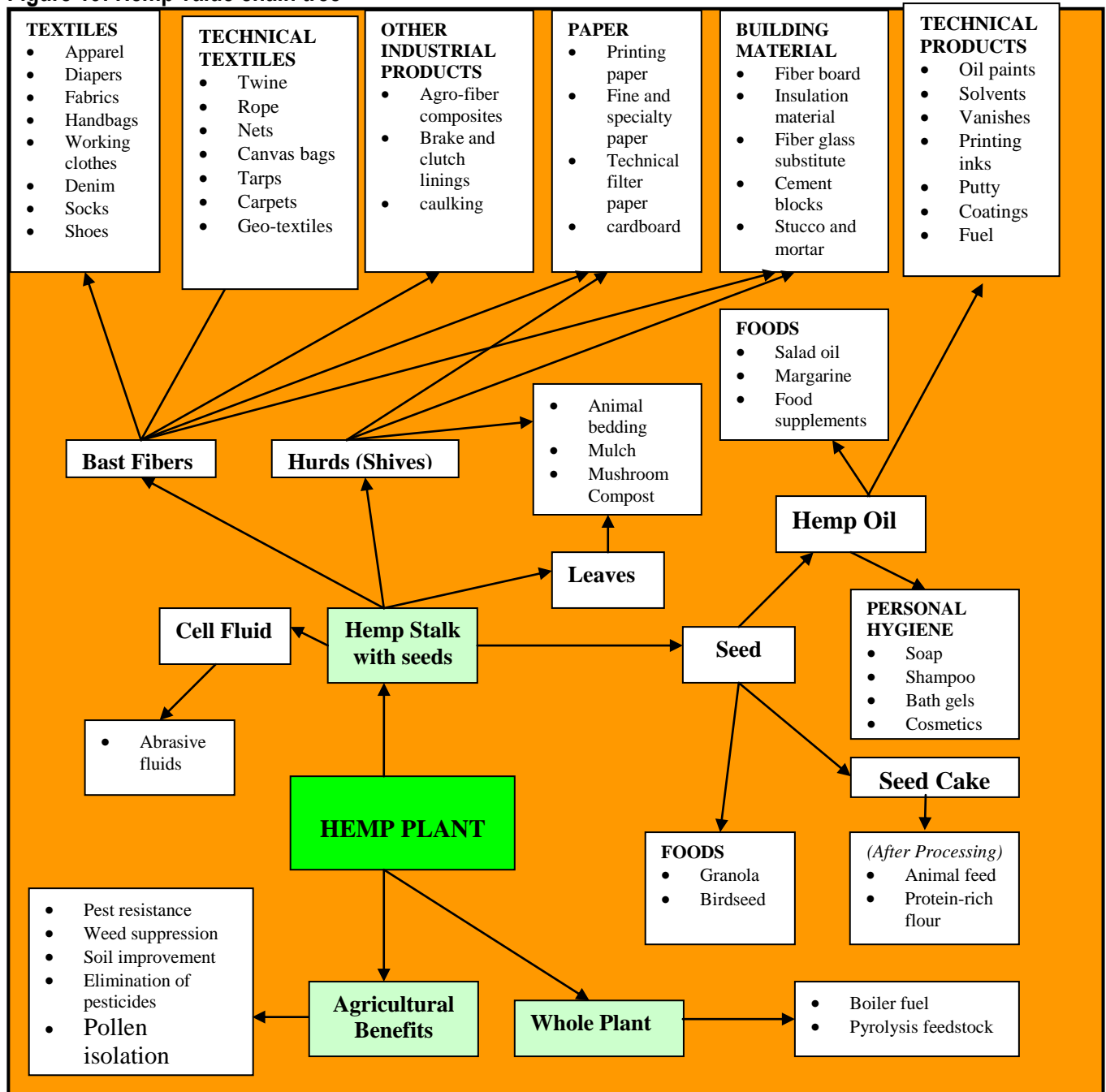
Figure 18: Hemp Market Value Chain



The hemp value chain begins with seed breeding and multiplication followed by seed storage, soil preparation and planting. After harvesting hemp, the bast fibers must be separated from the rest of the stalk and this is done through the process called retting. Once the stalks are retted, dried and baled, they are taken to a central location for processing. With mechanical process called breaking, stalks are pressed between fluted rollers to crush and break the woody core into short pieces (called hurds), separating some of it from the bast fibre. The remaining hurds and fibre are separated in a process called decortication with one machine called a decorticator. After this process various hemp raw materials are taken to the manufacturers who produce final hemp products such as bags, shoes, socks and cosmetics.

## 6.1 Hemp Value Chain Tree explaining its various uses

Figure 19: Hemp value chain tree



Source: Roulac (1997)

The markets for hemp products include high-end value added opportunities such as the oil and health food markets; woven and knitted textile such as carpets and apparel, moulded or pressed textiles; medium to low-end value adding opportunities such as pulp and paper, building materials, beverages, livestock feed and bedding and biomass fuels.

All parts of hemp plant can be used in the industry for manufacturing of various products. Whole stalk of the hemp plant can be used to make environmentally friendly paper, packaging material, cardboard, cigarette papers, filters and newsprint.

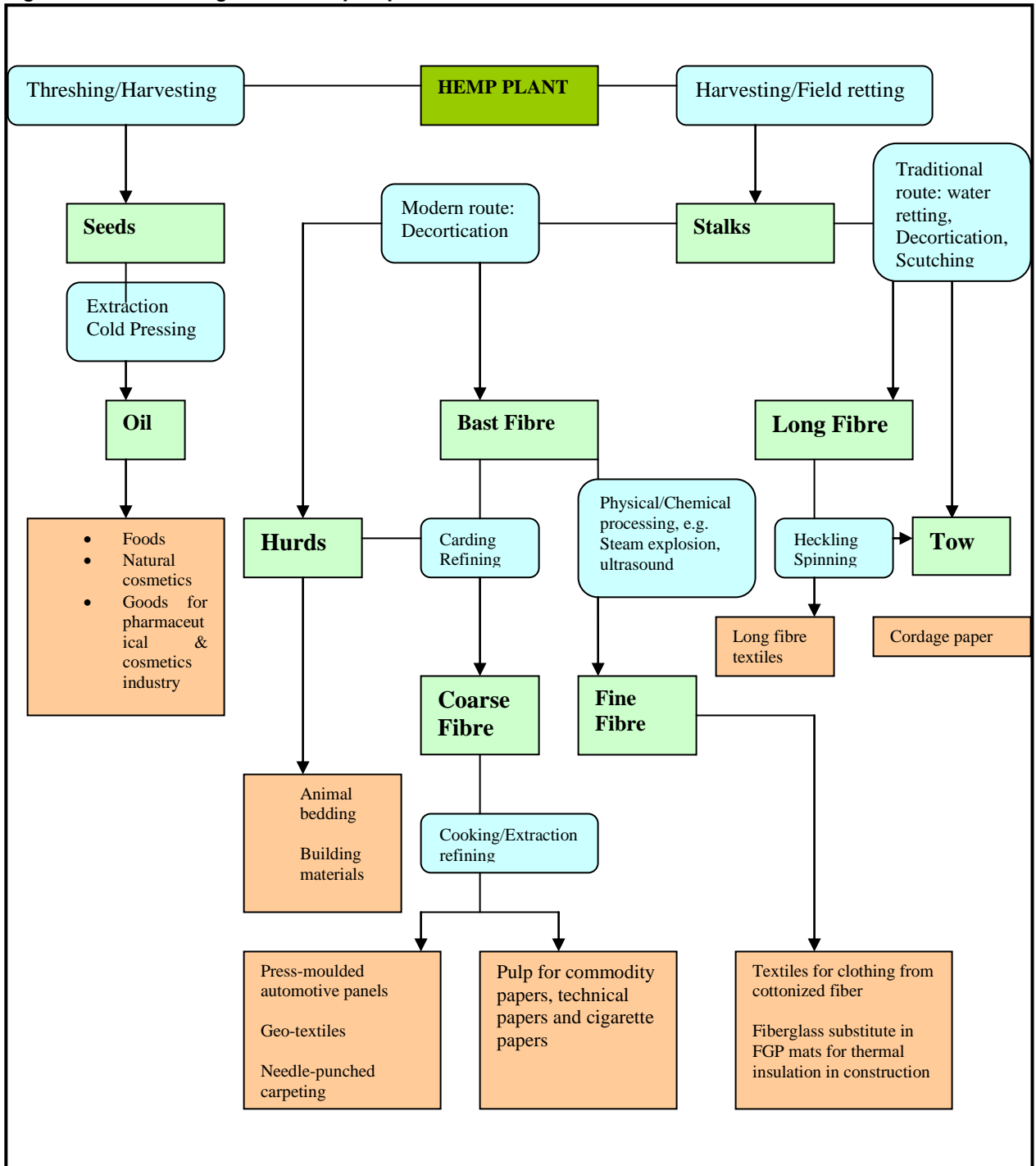
It also produces a large amount of biomass, which can be converted into ethanol to be used as fuel as an environmentally friendly alternative to toxic petrochemicals. The by-products from this process include foods, animal feed, bio-chemicals and various materials, making it a much attractive option to oil refineries.

The woody core of the stalk (Hurds) can be used building materials, insulation material and fibre-board. Hemp applications in the building industry range from a strong, light and durable cement, when mixed with lime, to environmentally friendly insulation, to an input for fibre-board. The bast fibre can be used to make fabrics, apparel, bags, shoes, socks and carpets. Due to its high absorbency rate and quick decomposition, hemp has several applications as industrial product. It can be used for animal bedding, mulch, boiler fuel and chemical absorbent.

Hemp seed contains up to 25% high quality protein with all eight essential amino acids. This can be used to make bread, granola, ice cream, protein powder and oil. After pressing hemp seed for oil, the remaining solids are still very nutritious for both humans and animals and can be processed into protein-rich flour and animal feed. Hemp oil can also be used to manufacture cosmetics, soap, shampoo, hand cream, salad oil, margarine, oil paints, leather care and printing ink.

Figure 20 provides a summary of the processing routes as well as the products that are formed at each stage of the processing of the hemp plant.

Figure 20: Processing of the hemp at plant



Source: Roulac (1997)

## 7. MARKET ACCESS

The major export markets for South African hemp are the SADC countries. The following tariffs are applied by various export markets to hemp and hemp products originating from South Africa based on the data from 2012 and 2013.

**Table 6: Tariffs applied by major markets of hemp textiles and products originating from South Africa**

IMPORTING COUNTRY	TYPE	APPLIED TARIFFS	ESTIMATED TOTAL ADVALOREM	APPLIED TARIFFS	ESTIMATED TOTAL ADVALOREM
		2012		2013	
USA	MFN duties (Applied)	0.00%	0.00%	0.00%	0.00%
China	MFN duties (Applied)	6.00%	6.00%	6.00%	6.00%
Angola	MFN duties (Applied)	2.00%	2.00%	10.00%	10.00%
United Republic of Tanzania	MFN duties (Applied)	0.00%	0.00%	0.00%	0.00%
Democratic Republic of Congo	MFN duties (Applied)	5.00%	5.00%	5.00%	5.00%
Mozambique	MFN duties (Applied)	2.50%	2.50%	2.50%	2.50%
	Preferential Tariff for SADC countries	0.00%	0.00%	0.00%	0.00%
Brazil	MFN duties (Applied)	6.00%	6.00%	6.00%	6.00%
Zambia	MFN duties (Applied)	15.00%	15.00%	15.00%	15.00%
	Preferential Tariff for SADC countries	0.00%	0.00%	0.00%	0.00%
Zimbabwe	MFN duties (Applied)	5.00%	5.00%	5.00%	5.00%

Source: ITC Market Access Map

Table 6 indicates that hemp and hemp products from South Africa can be exported to the SADC countries free of duty due to the SADC Free Trade Agreement. Table 6 further indicates that China, Brazil, Angola and Zimbabwe have protected hemp industry with tariffs of between 55% and 15%

respectively, as compared to other countries. Some of these tariffs have changed in 2012 and 2013 marketing season.

**Table 7: Tariffs applied by South Africa to imports of hemp textiles and products from various origins or countries of the world**

EXPORTING COUNTRY	TYPE	APPLIED TARIFFS	ESTIMATED TOTAL ADVALOREM	APPLIED TARIFFS	ESTIMATED TOTAL ADVALOREM
		2012		2013	
Thailand	MFN duties (Applied)	0.00%	0.00%	0.00%	0.00%
Philippines	MFN duties (Applied)	0.00%	0.00%	0.00%	0.00%
United States of America	MFN duties (Applied)	0.00%	0.00%	0.00%	0.00%
France	MFN duties (Applied)	0.00%	0.00%	0.00%	0.00%
Germany	MFN duties (Applied)	0.00%	0.00%	0.00%	0.00%
United Kingdom	MFN duties (Applied)	0.00%	0.00%	0.00%	0.00%
Netherlands	MFN duties (Applied)	0.00%	0.00%	0.00%	0.00%
Zimbabwe	MFN duties (Applied)	0.00%	0.00%	0.00%	0.00%
Zambia	MFN duties (Applied)	0.00%	0.00%	0.00%	0.00%

Source: ITC Market Access Map

Table 7 above shows tariffs that are charged by South Africa when various world markets export true hemp and hemp products to the country during 2013. The table further shows that hemp textiles and true hemp products from other countries can enter South Africa free of duty between 2012 and 2013. This is to make it easier for South Africa based manufacturers to import hemp fiber and textiles from other countries to be able to manufacture the products that are demanded in the country. There is a legislation that prohibits commercial growing of hemp in South Africa, but hemp products are amazingly in higher demand and this could be one of those reasons that made our country not to charge any tariff for hemp imports from the world markets.

## 8. CHALLENGES

In South Africa it is not permissible to cultivate hemp commercially on a large scale. A special permission to grow hemp is granted on conditions issued in terms of Section 22A (9) (a) (i) of the Medicines and Related Substances Act 101 of 1965 to possess and cultivate it for only research purposes. The commercial cultivation of hemp in South Africa is prohibited due to the following legislations:

- The Drugs and Drug Trafficking Act, 1992 (Act No 140 of 1992) which describes hemp as dagga. The Act prohibits the possession, processing, transportation and commercialization of hemp. This Act is enforced by the South Africa Police Services,
- Medicines and Related Substances Act, 1965 (Act No 101 of 1965) which requires that a permit should be obtained from the Department of Health in accordance with Section 22A (9) (a)(i) of this Act. The Act allows possession and cultivation of hemp for research purposes only,
- The Environmental Conservation Act, 1989 (Act No 73 of 1989) describes hemp as a declared weed or invasive alien plant species. This Act is enforced by the Department of Environmental Affairs and Tourism.



## 9. ACKNOWLEDGEMENTS

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**ITC Market Access Map**

Website: <http://www.macmap.org/South> Africa

**Food and Agriculture Organization of the United Nations**

Website: [www.fao.org](http://www.fao.org)

**Roulac, J.W., 1997:** Hemp horizons: The comeback of the world's most promising plant, Chelsea Green, Vermont

**House of Hemp, South Africa**

Website: <http://www.houseofhemp.co.za>

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