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• Localisation Support Fund report warns weak policy framework could stall growth

By KABELO KHUMALO Deputy Editor

South Africa risks losing a multibillion-rand hemp industry opportunity due to the absence of a coherent commercial plan.

A study commissioned by the Localisation Support Fund (LSF) said South Africa's hemp industry could be worth R40bn by 2040.

The study was commissioned in partnership with the project management office in the presidency, the Industrial Development Corporation and the department of trade, industry & competition. It pointed out that South Africa lacks a coherent plan to translate this opportunity into reality and that, absent this, the sector's potential risks remain theoretical.

"What is required is a dedicated industrial strategy that provides the regulatory clarity needed to treat hemp unambiguously as an agricultural commodity, sends consistent and credible signals to attract private investment into critical processing infrastructure, and addresses the significant knowledge gaps that persist across operators, investors and regulators alike," the study notes.

"Crucially, such a strategy must resolve the sector's foundational 'chicken and egg' problem – where farmers will not plant without assured markets, and processors will not invest without guaranteed supply – through deliberate, demand-led value chain co-ordination.

"Given the constraints on the national fiscus, a coherent strategy is needed that can enable policymakers to make informed choices about which demand pathways to prioritise, ensuring limited resources are deployed for maximum impact."

President Cyril Ramaphosa in the state of the



Barriers to investment in hemp remain in South Africa, according to study commissioned by the Localisation Support Fund. Getty Images

nation address stated the government's intention to turn South Africa into a world-leading commercial producer of hemp and cannabis .

The LSF report says South Africa is seen as well positioned as a potential African gateway due to its favourable climate, extensive arable land and counter-seasonal advantages. The report estimates hemp demand in South Africa at R7.3bn in 2024, suggesting market potential could grow to R17.7bn by 2030 and R40.4bn by 2040 if an enabling environment is in place.

"Without this overarching framework, even well-intentioned interventions risk being

fragmented and misaligned, undermining South Africa's broader goals of industrial diversification, rural inclusion and decarbonisation.

"Though the Cannabis for Private Purposes Act was enacted in May 2024, full liberalisation of hemp will only be achieved once the regulations to the act are gazetted and cannabis is formally removed from the Drugs and Drug Trafficking Act.

"Until this regulatory step is completed, barriers to investment in hemp remain, and the enabling environment for industrialisation is not yet fully in place," the report says.

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