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 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 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.

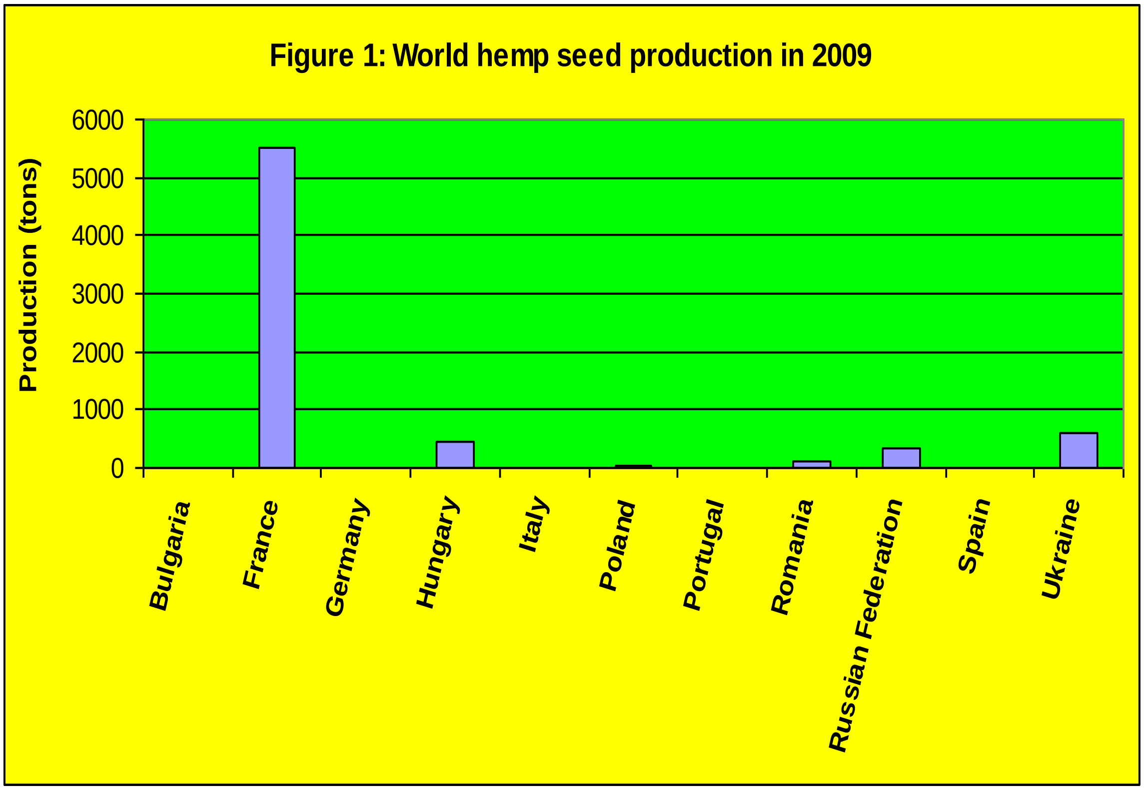
The South African government and the private sector are presently engaged in a process of trying to sort out the hemp legislation to create an environment in which this product can be commercialized. The product is currently grown in South Africa mainly for the experimental or research purposes. Hemp 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 Eastern Europe (Romania and Poland) and China. At least 26 countries permit commercial cultivation of hemp, UK and Germany being the biggest producers of hemp in Western Europe.

1.2 Global Hemp Production

Figure 1 illustrates world hemp seed production in 2009 year. The graph further illustrates that France was the largest producer of hemp globally followed by Ukraine then Hungary. During the same period under review, France produced approximately 5 500 tons of hemp seed while Ukraine produced around 700 tons f hemp seed during the same period. The figure also shows that Bulgaria, Germany, Italy, Spain and Portugal had zero hemp seed production during the same period under scrutiny. The figure also illustrates that non of the African countries are producing seed hemp in 2009 year due to 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

Exports and Imports of true hemp from 2002 to 2011 are compared in Figure 2 below. In the graph 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. 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 2002, 2004, and 2008, South Africa imported raw hemp fiber and seed for processing purposes and then exports the processed products. Throughout the period under examination the value of hemp exports had been below R50 000 except in 2008, 2010 and 2011 when prices were good in exports of processed hemp products. Also interesting to note was that in 2002, 2004 and 2008 years, hemp import values proved to be far beyond export values.

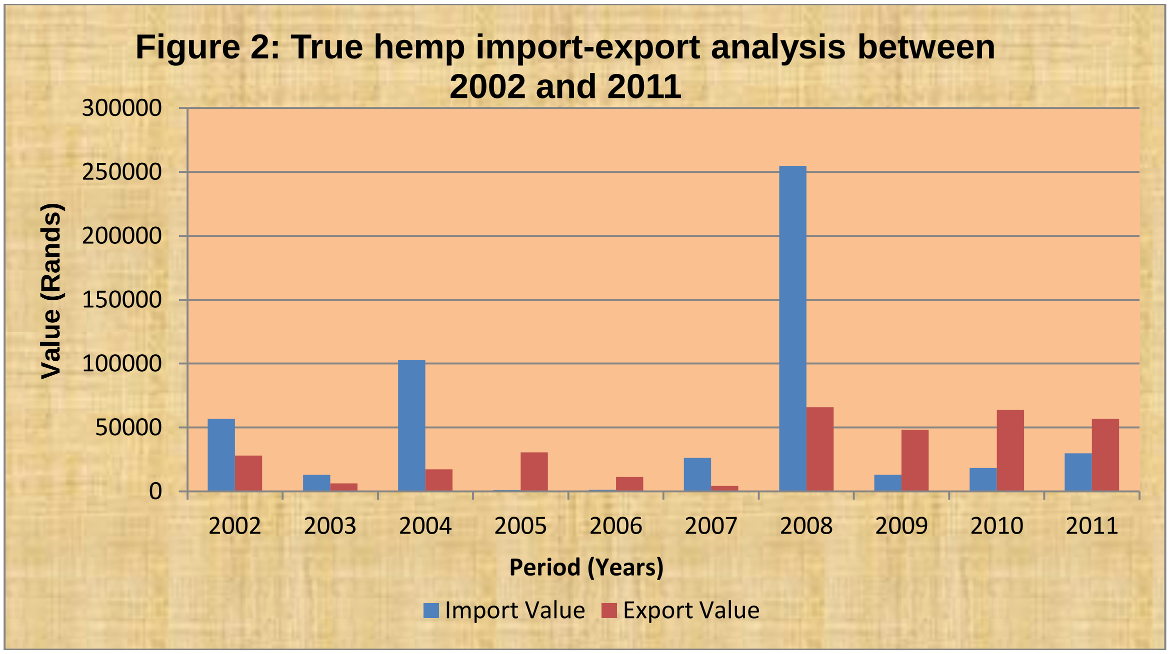


Figure 2: True hemp import-export analysis between 2002 and 2011

Source: Quantec Easy Data

3. HEMP EXPORTS

Figure 3 depicts volumes of true hemp exports from South Africa to various regions of the world between 2002 and 2011 period.

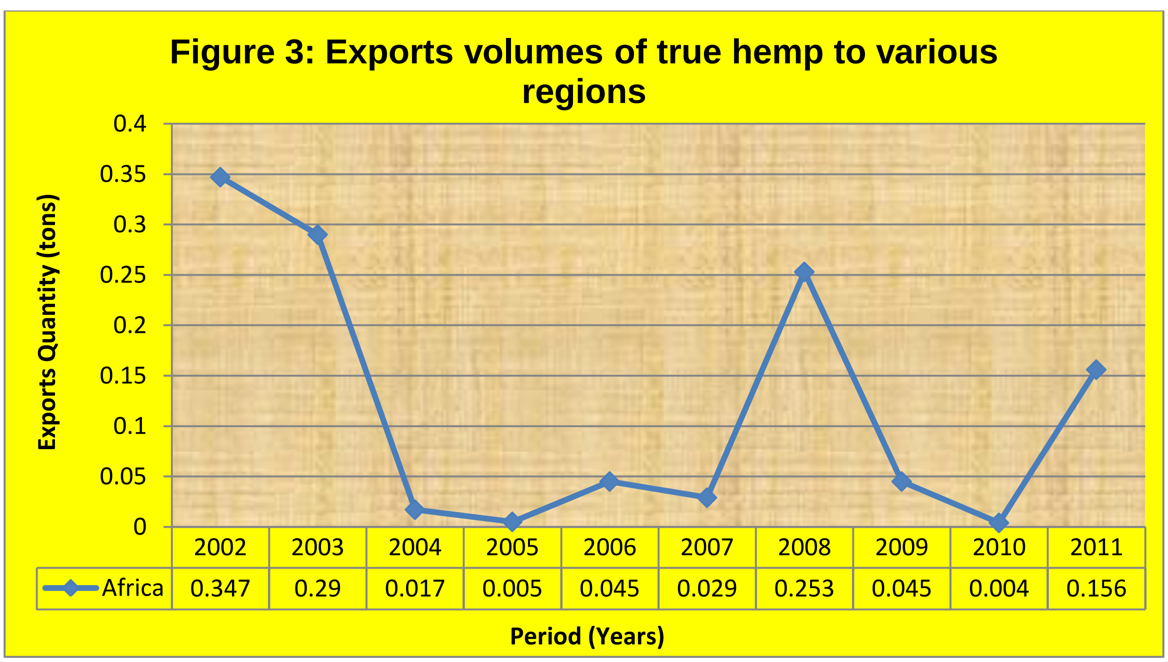
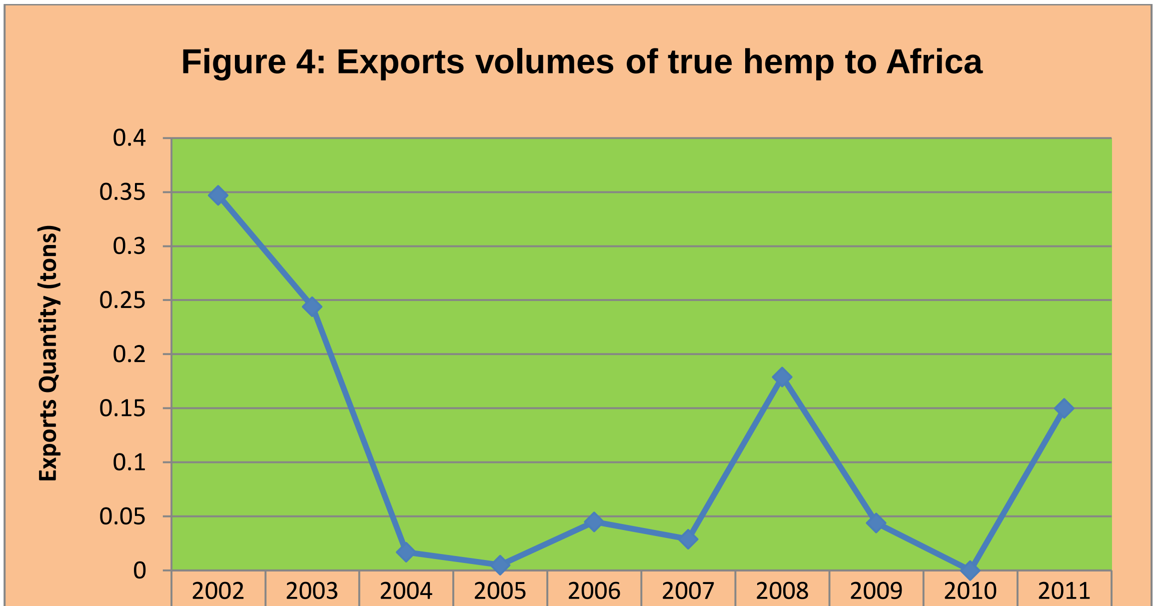


Figure 3: Exports volumes of true hemp to various regions

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Africa	0.347	0.29	0.017	0.005	0.045	0.029	0.253	0.045	0.004	0.156

Source: Quantec Easy Data

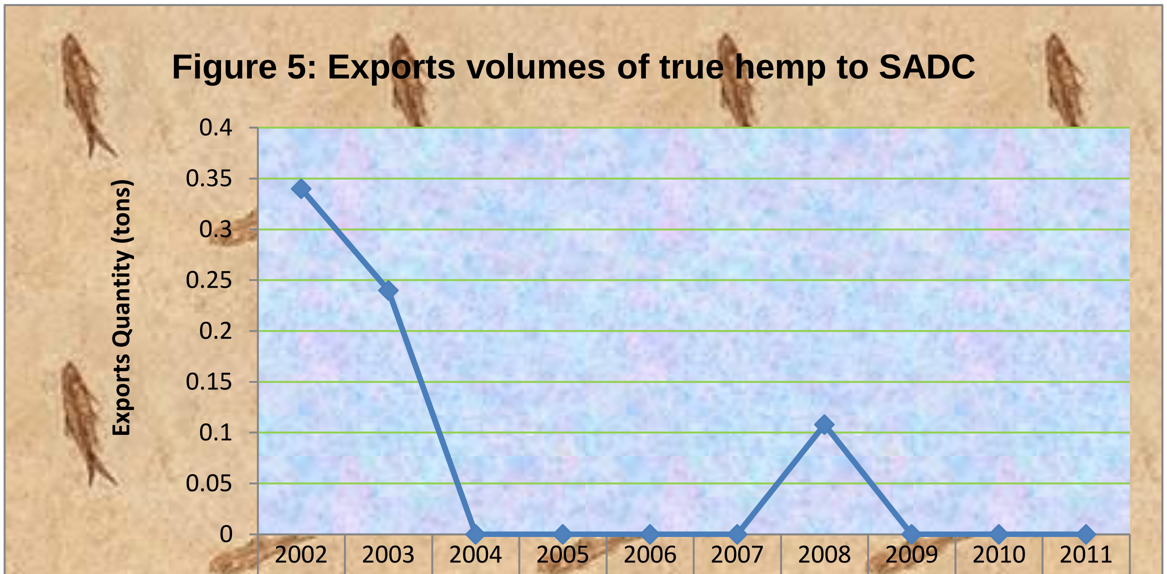
During the same period under review, South Africa has been exporting its hemp products mainly to the African continent with no competition from the other regions. A peak in volumes of exports of true hemp products occurred in 2002 at approximately 0.347 tons. Exports volumes of hemp started to increase in 2002 until a decline in 2003 to 2007 years. A surge of exports took place in 2008 and then a decline occurred in 2009 with a dramatic decline in 2010 year. The graph further depicts that South Africa managed to export low volumes of hemp to Africa between 2004 and 2007 of not more than 0.05 tons. Between 2003 and 2010 of the period under scrutiny, there were no true hemp exports from South Africa to the Americas. The graph further depicts that exports of hemp products from South Africa to the world experienced an increase in 2011 at approximately 0.156 tons as compared to 0.004 tons in 2010.



	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
SADC	0.347	0.244	0.017	0.005	0.045	0.029	0.179	0.044	0	0.15

Source: Quantec Easy Data

Figure 4 shows volumes of true hemp products exports from South Africa to Africa between 2002 and 2011 period. The figure further shows that South African produced hemp products were exported mainly to the SADC region. 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. Exports volumes of hemp from South Africa to SADC started to increase in 2002 and during the same period attained a peak at approximately 0.347 tons and again in 2008 at approximately 0.179 tons. The figure also shows that between 2004 and 2007 of the period under scrutiny, there were no hemp exports from South Africa to Eastern Africa, Middle Africa and Western Africa. The figure further shows that in 2011, exports of hemp products from South Africa to SADC saw a slightly increase of about 0.15 tons as compared to 0 exports in 2010



	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Mozambique	0.34	0.24	0	0	0	0	0.108	0	0	0

Source: Quantec Easy Data

Figure 5 illustrates volumes of true hemp products exports from South Africa to the SADC region between 2002 and 2011 period. During the period under review, the major market for South African produced hemp exports was mainly Mozambique. 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 them than to other countries. Exports volumes of hemp from South Africa to Mozambique started to increase in 2002 and during the same period attained a peak at approximately 0.34 tons; exports volumes of hemp from South Africa to Mozambique also attained a peak in 2008 at approximately 0.108 tons. The figure also illustrates that between 2004 and 2007 of the period under review, there were no hemp exports from South Africa to Malawi and Mozambique. Between 2002 and 2008 there were no hemp exports from South Africa to United States of Tanzania. The figure also illustrates that between 2009 and 2011, South Africa did not export hemp products to the SADC region due to very low levels of production in South Africa.

Figure 6 indicates volumes of true hemp products exports from South Africa to the Americas between 2002 and 2011 period. The major market for true hemp products from South Africa was mainly NAFTA region during the period under examination. Exports volumes of true hemp products from South Africa to NAFTA started to increase in 2002 and during the same period attained a peak at approximately 0.072 tons and this can be ascribed to the fact that there's preferential tariff agreement because South Africa is a member of SADC and SACU, that's making it cheaper to export to these countries than to other regions and to other countries. On the other hand it could be as a result of SADC Free Trade Agreement which allows South Africa to export hemp products to any SADC country free of duty. Between 2003 and 2011 period, there were no exports of true hemp products from South Africa to NAFTA region.

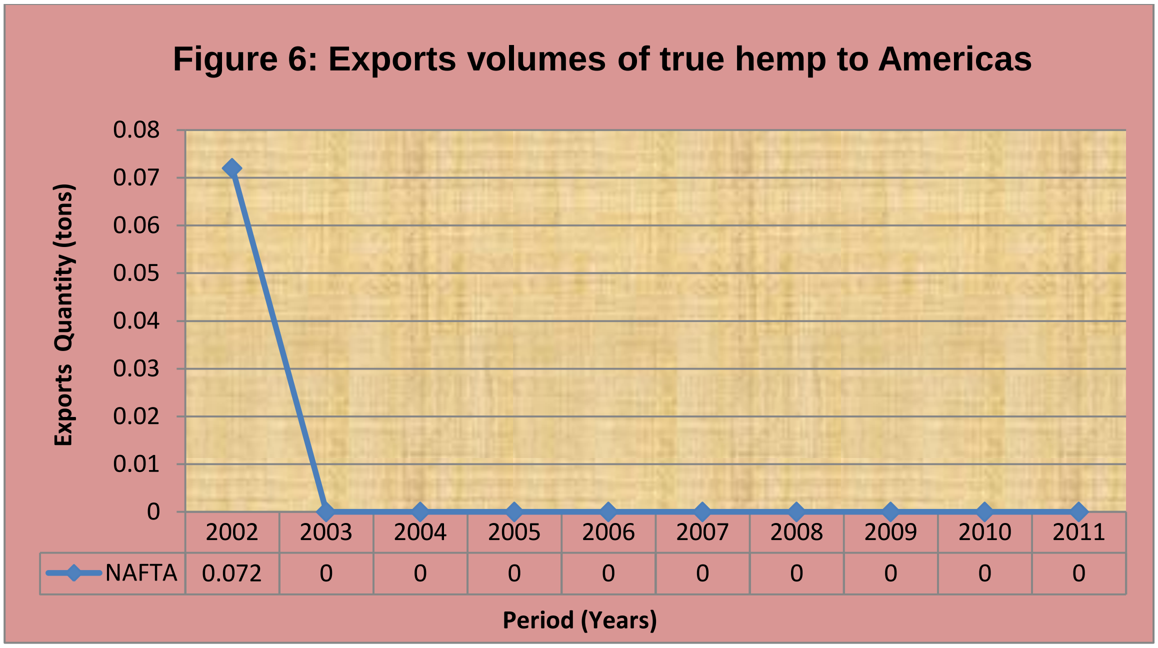


Figure 6: Exports volumes of true hemp to Americas

Source: Quantec Easy Data

Figure 7 depicts volumes of true hemp products exports originating from Provinces of South Africa to the world over the past ten years.

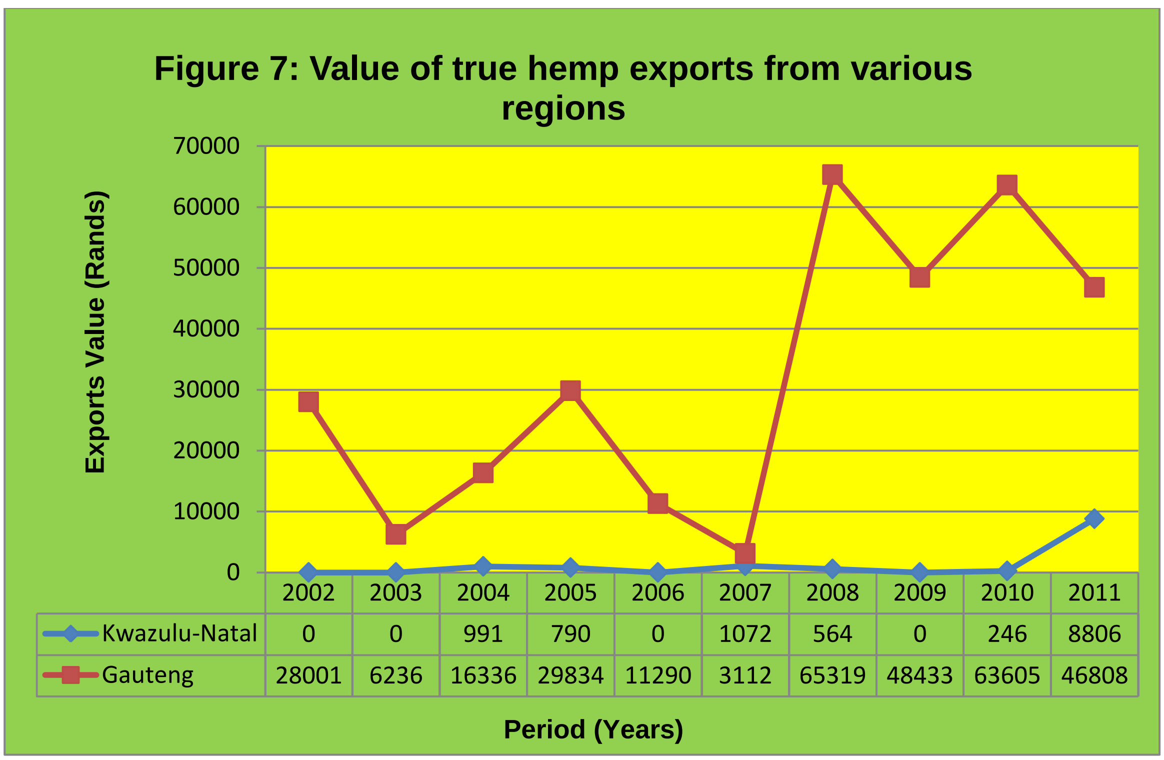
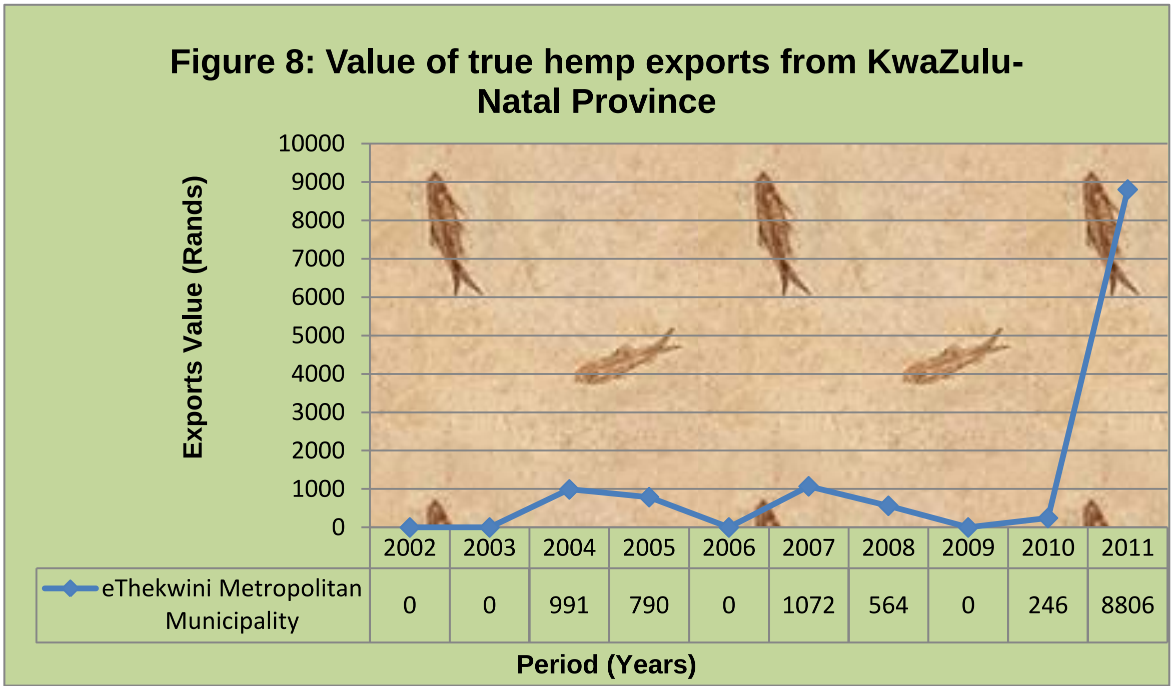


Figure 7: Value of true hemp exports from various regions

Source: Quantec Easy Data

Figure 7 shows that during the period under review, the major supplier of true hemp from South Africa to the world was Gauteng Province followed by very low levels of supply from KwaZulu-Natal province. Exports of true hemp from South Africa to the world started to increase in 2002 and then a decline occurred in 2003. In 2004 and 2005 exports of true hemp started to increase again and then a decline in 2006 and 2007 due to low levels of production in South Africa. Exports of true hemp from Gauteng province to the world attained a peak in 2008 and in 2010 at approximately R65 319.00 and R63 305.00 respectively. The figure also depicts that in 2009 and 2011, there was a slight decline in exports of true hemp products from Gauteng province to approximately R48 433.00 and R46 808.00 respectively.

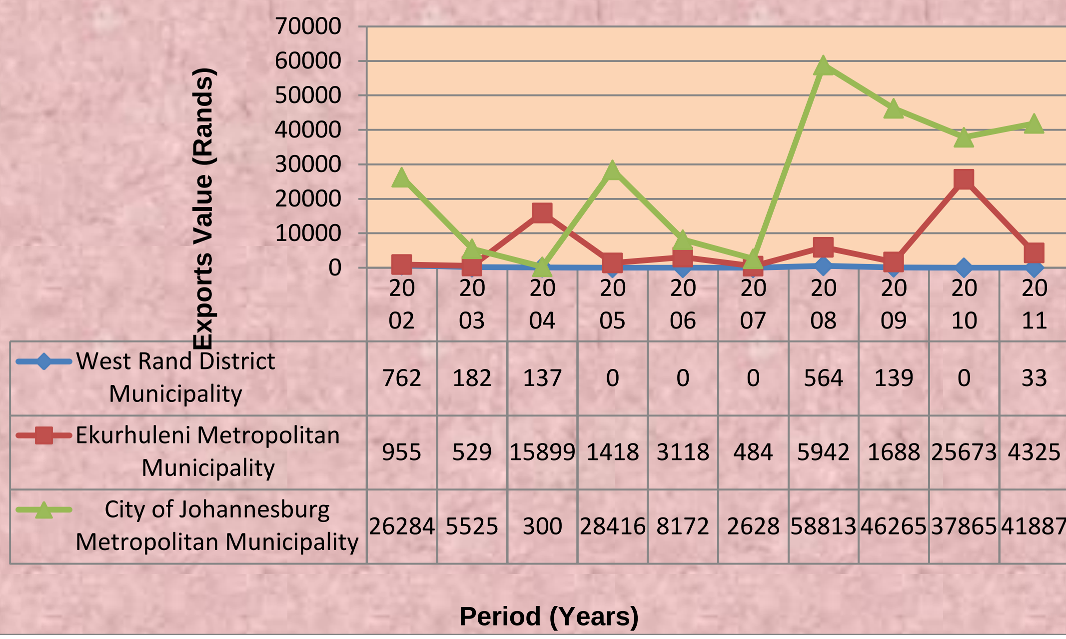


	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
eThekwini Metropolitan Municipality	0	0	991	790	0	1072	564	0	246	8806

Source: Quantec Easy Data

Figure 8 shows values of true hemp products exports by KwaZulu-Natal Province to the world between 2002 and 2011 period. The graph further shows that during the same period under review, the major supplier of true hemp products from KwaZulu-Natal to the world was eThekwini Metropolitan Municipality with no competition from the other municipalities. The figure also shows that exports of true hemp from eThekwini Metro Municipality to the world attained a peak in 2011 at an export value of about R8 806. In 2002, 2003, 2006 and 2009, there were no exports of true hemp products from eThekwini Metro Municipality to the world due to short supply in the province.

Figure 9: Value of true hemp exports from Gauteng Province



	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
West Rand District Municipality	762	182	137	0	0	0	564	139	0	33
Ekurhuleni Metropolitan Municipality	955	529	15899	1418	3118	484	5942	1688	25673	4325
City of Johannesburg Metropolitan Municipality	26284	5525	300	28416	8172	2628	58813	46265	37865	41887

Source: Quantec Easy Data

Figure 9 indicates values of true hemp products exports from Gauteng Province to the world between 2002 and 2011 period. The figure further indicates that during the same period under examination, the major suppliers of true hemp products from Gauteng was City of Johannesburg Metro followed by Ekurhuleni Metro. The graph also indicates that exports of true hemp products from City of Johannesburg started to increase in 2002 and then declined in 2003 and 2004. In 2005 exports of true hemp products from the City of Johannesburg Metro to the world started to increase again and then declined in 2006 with a dramatic decline in 2007 until an increase and a peak was attained in 2008 at an exports value of approximately R58 813.00. The figure also indicates that exports of true hemp products from Ekurhuleni Metro attained a peak in 2010 at an export value of approximately R25 673.00. In 2011, exports of true hemp products from Ekurhuleni Metro to the world saw a dramatic decline of approximately R21 348.00 as compared to 2011 marketing season.

3.1 Share Analysis

As shown in Table 1 below, Gauteng and KwaZulu-Natal were the main exporting provinces of true hemp products in South Africa between 2002 and 2011 period. The table further shows that the Gauteng Province commanded the greatest share of hemp products exports over the KwaZulu-Natal Province during the past ten years.

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

Years Province	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
KwaZulu-Natal	0	0	5.72	2.58	0	25.62	0.86	0	0.39	15.83
Gauteng	100	100	94.28	97.42	100	74.38	99.14	100	99.61	84.17

Source: Calculated from Quantec Data

Table 2 indicates that during the period under review eThekwini Metropolitan Municipality commanded the greatest share of exports of processed hemp products from KwaZulu-Natal province with the exception of 2002, 2003, 2006, 2007 and 2009 years.

Table 2: Share of district hemp exports to the total KwaZulu-Natal provincial hemp exports (%)

Years District	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
eThekwini Metro Municipality	0	0	100	100	0	0	100	0	100	100

Source: Calculated from Quantec Data

Table 3 indicates that during the period under review 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 the 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 between2005 and 2007 and again in 2010.

Table 3: Share of district hemp exports to the total Gauteng provincial hemp exports (%)

Years District	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
West Rand District	2.72	2.92	0.84	0	0	0	0.86	0.29	0	0.07
Ekurhuleni Metro	3.41	8.48	97.32	4.75	27.62	15.55	9.10	3.49	40.36	9.35
City of Johannesburg	93.87	88.60	1.84	95.25	72.38	84.45	90.04	96.20	59.59	90.58

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 2002 to 2011 period.

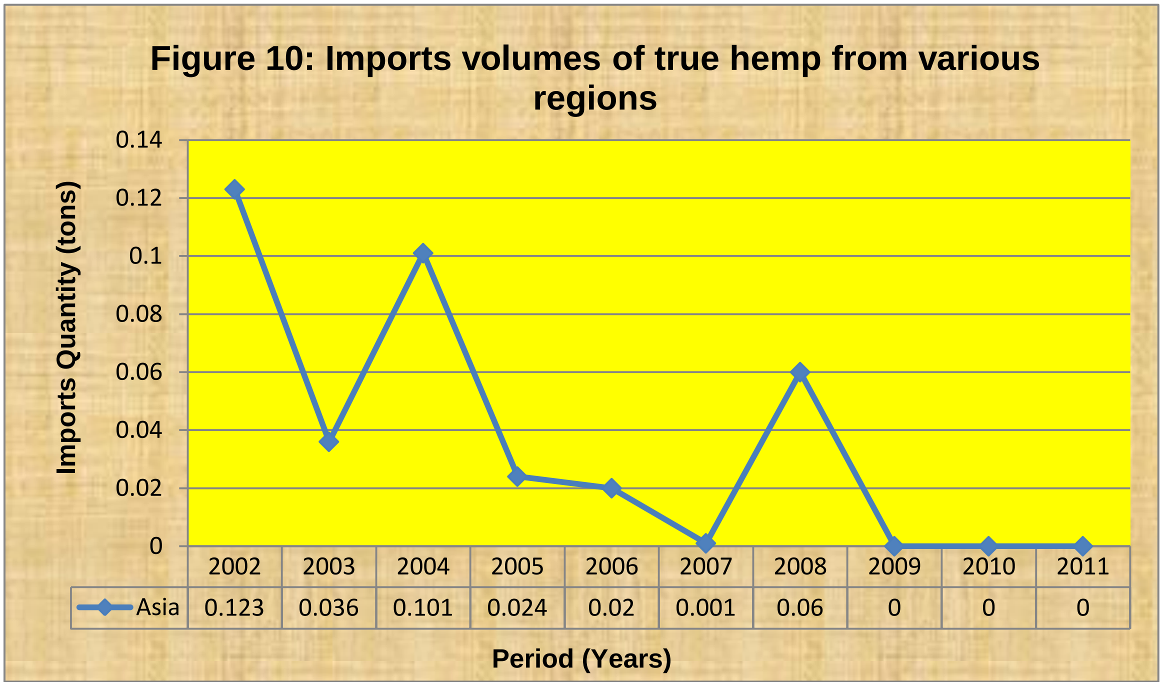


Figure 10: Imports volumes of true hemp from various regions

Source: Quantec Easy Data

Figure 10 shows volumes of true hemp products imports originating from various regions into South Africa over the ten year period. The graph further shows that export markets for true hemp products originated mainly from Asia. 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 2002, volumes of raw hemp imports from Asia into South Africa started to increase and during the same period attained a peak at approximately 0.123 tons. The graph further shows that there were fluctuations in terms of hemp products imports from Asia during the period under scrutiny. The figure also shows that between 2009 and 2011, there were no hemp imports from the Asia into South Africa.

Figure 11 illustrates volumes of true hemp products imports from Asia into South Africa over a ten year term. The figure further illustrates that during the period under scrutiny, imports of processed hemp products 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. The graph further illustrates that there were fewer fluctuations in terms of hemp imports from South-eastern Asia during the period under review. Imports of true hemp processed products from South-eastern Asia into South Africa started to increase in 2002 and at the same time attained a peak at approximately 0.123 tons. The graph further illustrates that between 2007 and 2011, there were no imports of true hemp processed products from South-central Asia into South Africa.

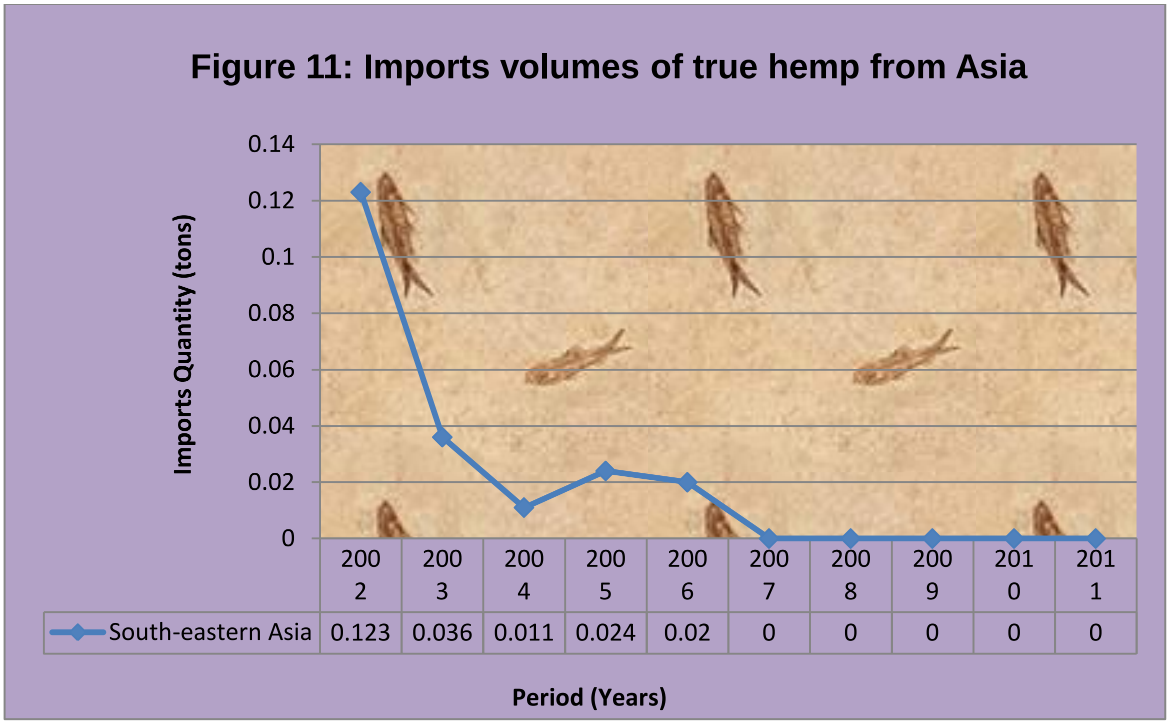


Figure 11: Imports volumes of true hemp from Asia

Source: Quantec Easy Data

Figure 12 indicates volumes of imports of true hemp processed products from South-eastern Asia into South Africa over a ten year term.

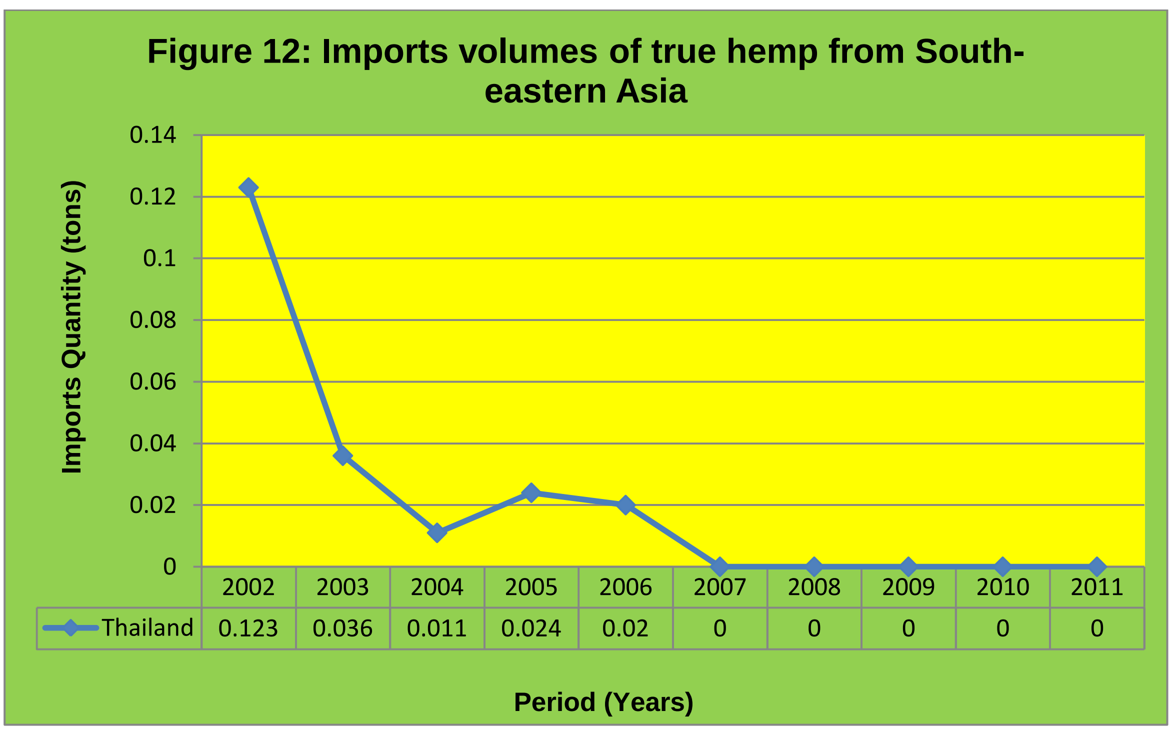
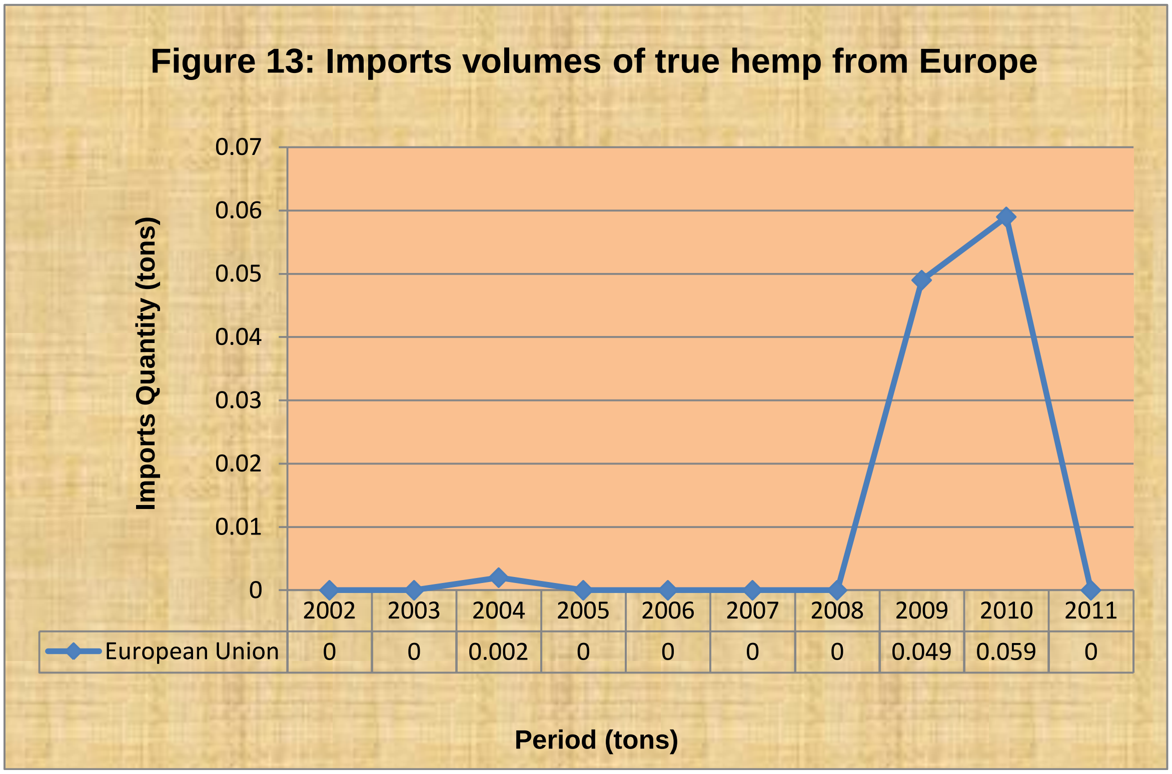


Figure 12: Imports volumes of true hemp from South-eastern Asia

Source: Quantec Easy Data

The figure further illustrates that during the period under scrutiny, imports of true hemp processed products were mainly from Thailand. The graph also indicates that there were fewer fluctuations in terms of hemp imports from Thailand into South Africa during the period under review. Imports of true hemp processed products from Thailand into South Africa started to increase in 2002 and at the same time attained a peak at approximately 0.123 tons. Between 2003 and 2006 of the period under scrutiny, imports of true hemp processed products from Thailand into South Africa saw a dramatic decline of below 0.04 tons. The graph further indicates that between 2007 and 2011 of the period under review, there were no imports of true hemp processed products from Thailand into South Africa.



Source: Quantec Easy Data

Figure 13 indicates imports volumes of true hemp processed products from Europe into South Africa between 2002 and 2011 period. The figure further indicates that during the period under scrutiny, the major import market for hemp processed products was mainly from the European Union. South Africa imported hemp raw materials from the European Union with approximately 0.11 tons during the ten year period starting from 2002 to 2011. The figure also indicates that between 2002 and 2003 and again between 2005 and 2008 and 2009, there were no imports of true hemp processed products from the European Union into South Africa. The figure further indicates that imports of true hemp products from European Union into South Africa started to increase in 2004 though at low volumes of approximately 0.002 tons and 0.049 tons until a peak was attained in 2010 at approximately 0.059 tons. During 2011 of the period under review, the figure also indicates that there were no imports of true hemp products from European Union into South Africa

5. MARKET INTELLIGENCE

Table 4: List of importing markets for true hemp exported by South Africa to the world in 2011

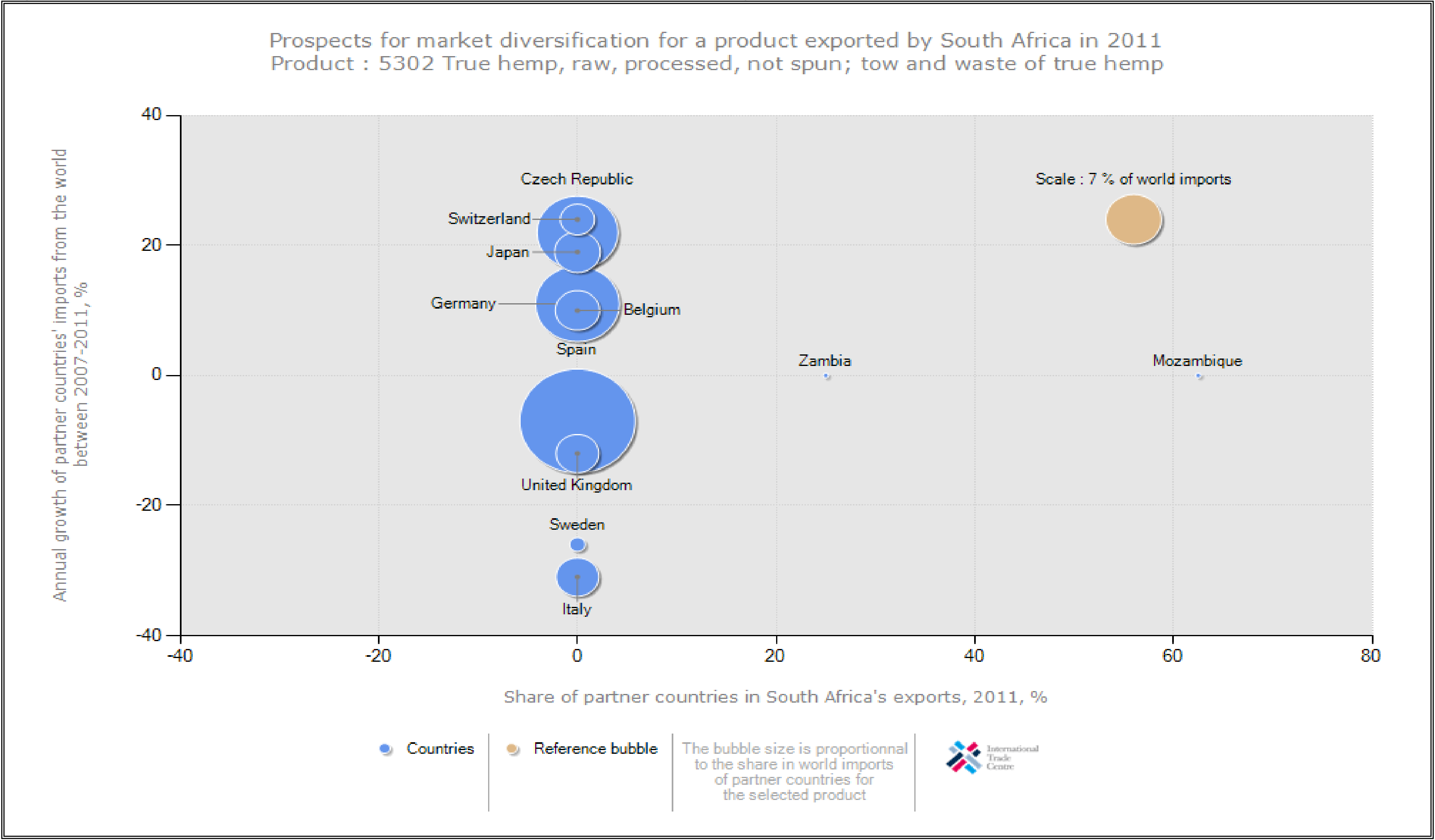
Importers	Trade Indicators							Tariff (estimated) faced by South Africa (%)
	Exported value 2011 (USD thousand)	Share in South Africa's exports (%)	Exported quantity 2011 (tons)	Unit value (USD/unit)	Exported growth in value between 2007-2011 (%, p.a.)	Exported growth in quantity between 2007-2011 (%, p.a.)	Exported growth in value between 2010-2011 (%, p.a.)	
World	8	100	3	2667	53	34	-11	
Mozambique	5	62.5	2	2500	0	0	0	0
Zimbabwe	2	25	0		0	0	0	0

Source: Trade Map

Table 4 shows the list of importing markets for true hemp exported by South Africa to the world in 2011. The table further shows that the top importers for true hemp from South Africa were Mozambique and Zimbabwe during 2011 period. The table also shows that South Africa is a net exporter of true hemp although it managed to export only 3 tons of true hemp during the period under review.

The table further shows that Mozambique had a highest share in South Africa's exports of true hemp of about 62.5% during this period, as compared to 25% of Zimbabwe's share in South Africa's exports of true hemp during the same period.

Figure 14: Prospects for market diversification for true hemp exported by South Africa in 2011

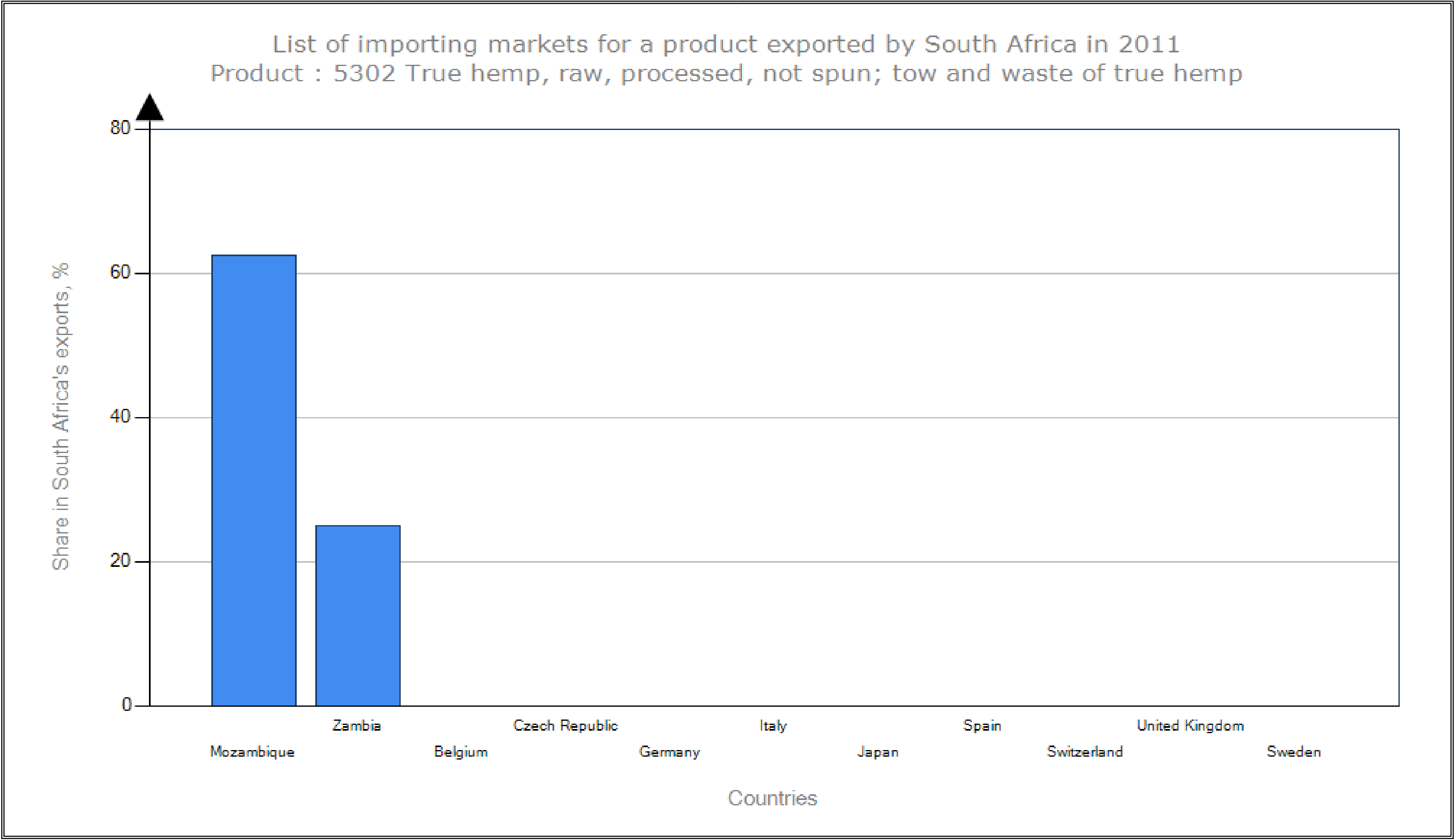


Source: Trade Map

Figure 14 depicts prospects for market diversification for true hemp exports from South Africa to the world in 2011. The bubble graph further depicts that the Zambian and Zimbabwe's share of partner countries in South Africa's exports in 2011 has increased to approximately between 25% and 65% respectively. The figure also depicts that during the period under examination, Czech Republic, Switzerland, Japan and Belgium are small but attractive markets for South African true hemp product exports.

The figure further depicts that annual growth of Zambia and Mozambique imports from the world between 2007 and 2011 did not growth at 0.00%.

Figure 15: Bar chart - list of importing markets for true hemp exported by South Africa in 2011



Source: Trade Map

The bar chart in Figure 15 depicts the list of importing markets for true hemp exported by South Africa in 2011. The bar chart further depicts that during the period under review, most of South Africa's true hemp exports went to Mozambique (65%), followed by Zambia at 25%.

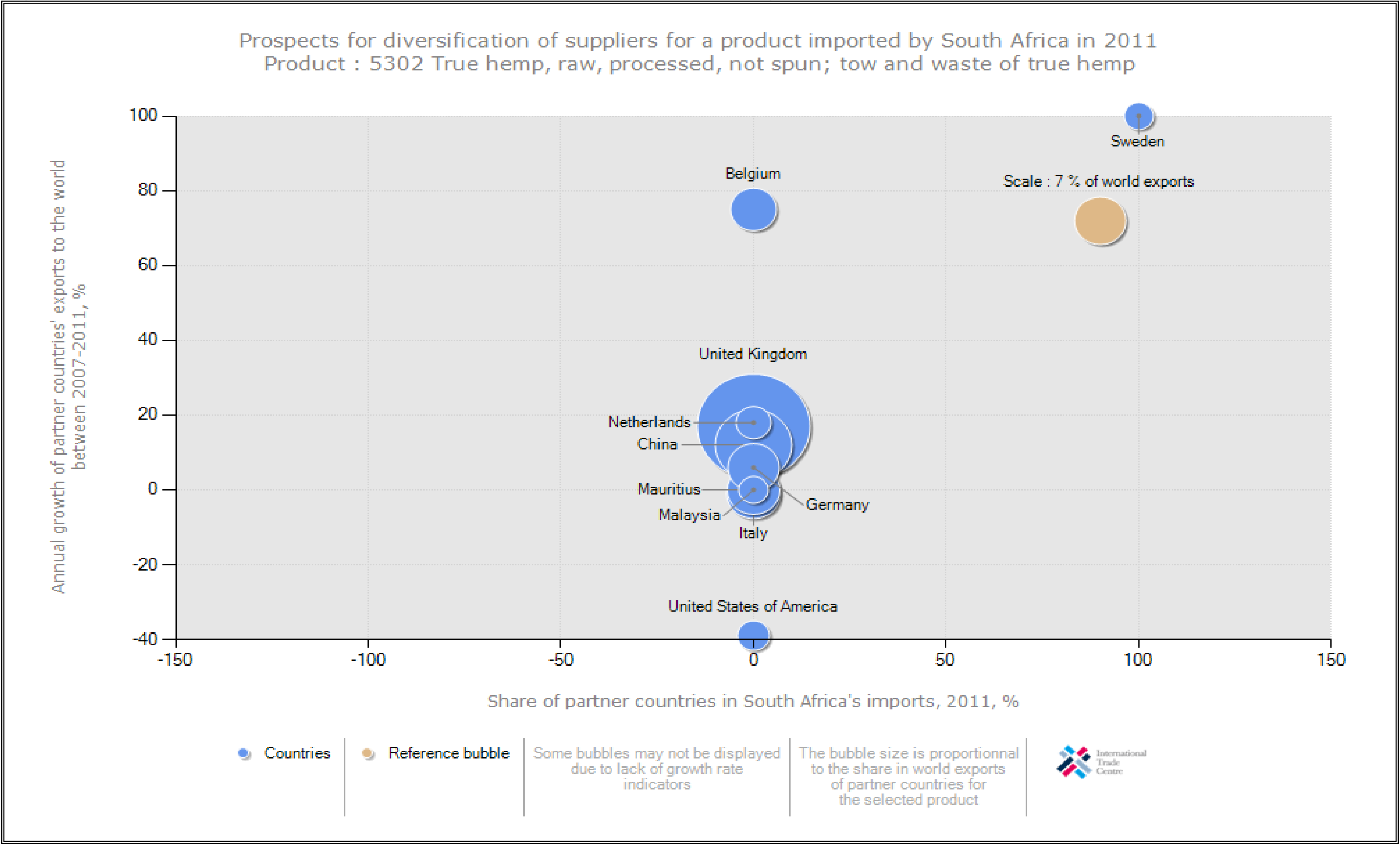
Table 5: List of supplying markets for true hemp imported by South Africa in 2011

Exporters	Trade Indicators							Tariff (estimated) applied by South Africa (%)
	Imported value 2010 (USD thousand)	Share in South Africa's imports (%)	Imported quantity 2011 (tons)	Unit value (USD/unit)	Imported growth in value between 2007-2011 (%, p.a.)	Imported growth in quantity between 2007-2011 (%, p.a.)	Imported growth in value between 2010-2011 (%, p.a.)	
World	4	100	0	0	-24	0	100	
Sweden	4	100	0	0	0	0	0	0

Source: Trade Map

Table 5 confirms the list of supplying markets for true hemp products imported by South Africa in 2011. The table further confirms that South Africa is a net exporter of true hemp during the 2011 period as the country did not import any true hemp products in 2011. The table also confirms that should the country wish to import true hemp products from the world, Sweden is one of the most attractive markets for South Africa during the same period under scrutiny. The table further confirms that Sweden had a highest share of about 100% in South Africa's imports of true hemp during this period with no competition from any other country.

Figure 16: Prospects for diversification of suppliers of true hemp imported by South Africa in 2011

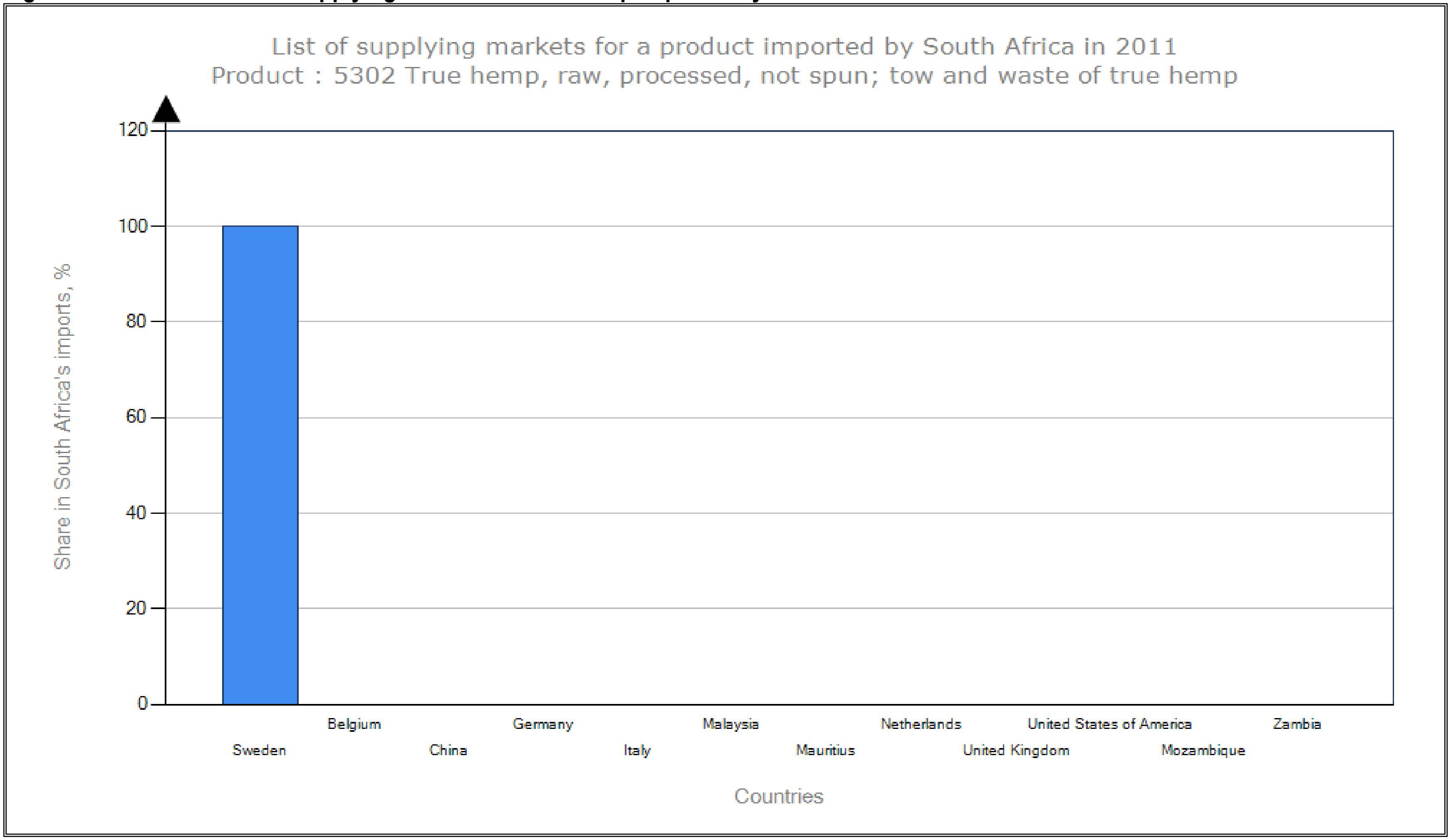


Source: Trade Map

Figure 16 indicates prospects for diversification of suppliers of true hemp imported by South Africa from the world in 2011. The bubble graph further indicates that United Kingdom was the biggest supplier of true hemp to South Africa during the period 2011, with a share of partner countries in South Africa’s imports of approximately 0.00% and an annual growth of approximately 30%.

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

Figure 17: Bar chart - list of supplying markets for true hemp imported by South Africa in 2011

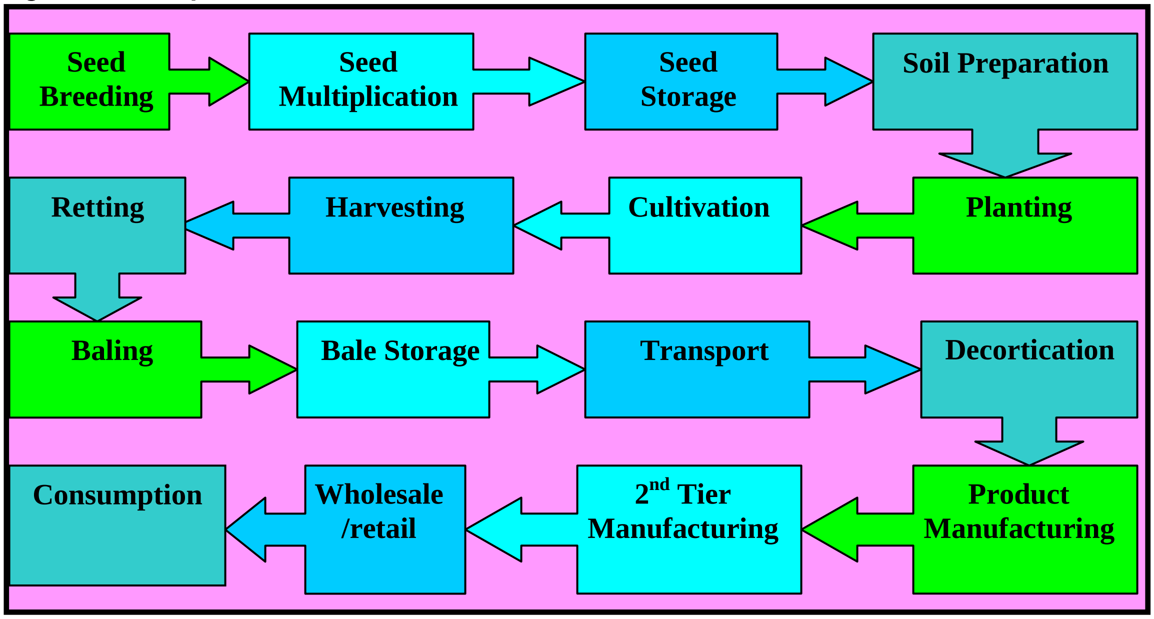


Source: Trade Map

In figure 17, the bar chart illustrates the list of supplying markets for true hemp imported by South Africa in 2011. The bar chart further illustrates that should South Africa decide to diversify its suppliers of true hemp imports, small but attractive markets exist in Sweden during the period under examination.

6. HEMP MARKET VALUE CHAIN

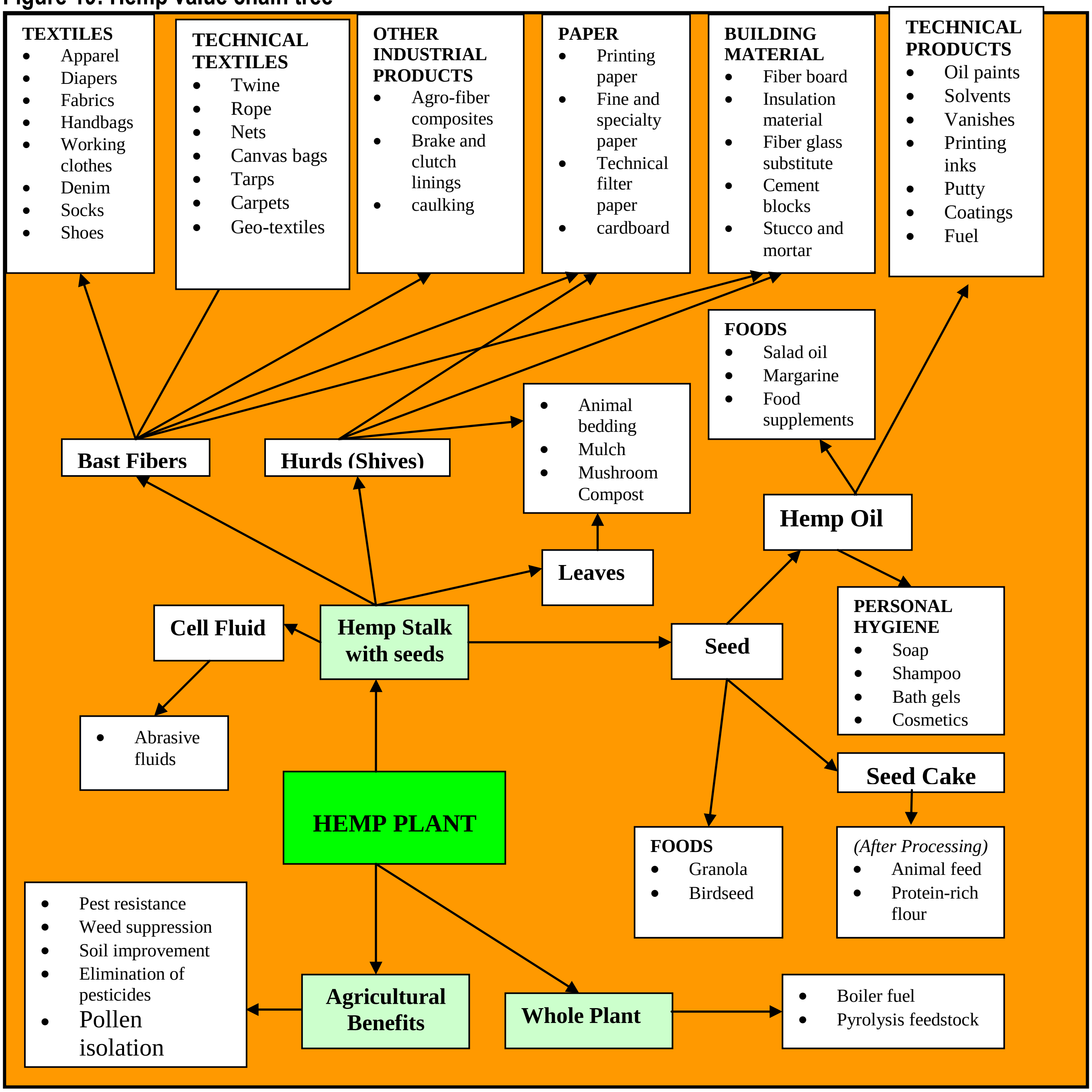
Figure 18: Hemp Market Value Chain



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.

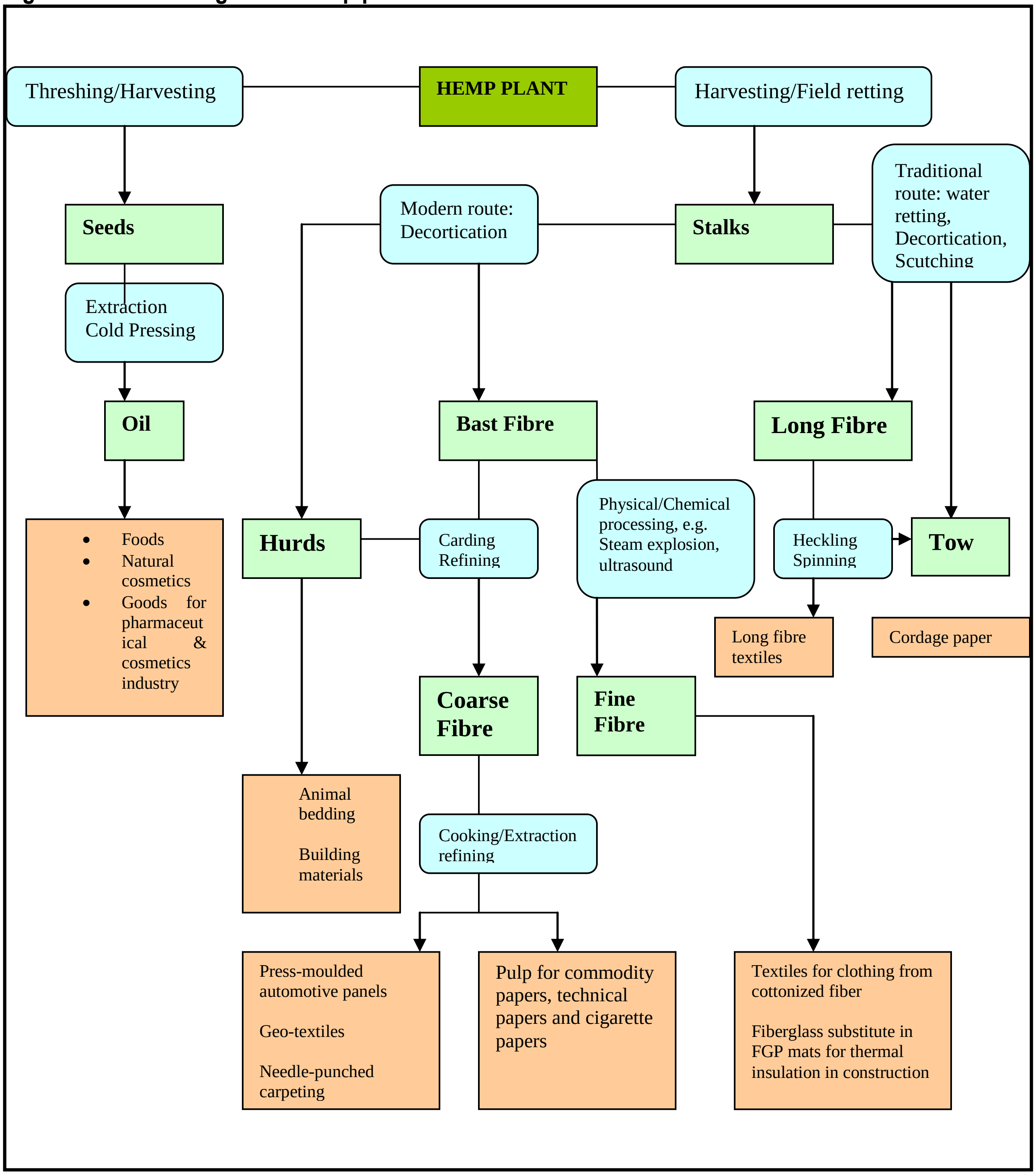
All parts of hemp plant can be used in the industry for manufacturing of various products. Whole stalk of the hemp plant can be used to make environmentally friendly paper, packaging material, cardboard, cigarette papers, filters and newsprint.
It also produces a large amount of biomass, which can be 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 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 2010 and 2011.

Table 6: Tariffs applied by major markets of hemp originating from South Africa

IMPORTING COUNTRY	TYPE	APPLIED TARIFFS	ESTIMATED TOTAL ADVALOREM	APPLIED TARIFFS	ESTIMATED TOTAL ADVALOREM
		2010		2011	
USA	MFN duties (Applied)	0.00%	0.00%	0.00%	0.00%
China	MFN duties (Applied)	6.00%	6.00%	6.00%	6.00%
Kenya	MFN duties (Applied)	0.00%	0.00%	0.00%	0.00%
Guinea	MFN duties (Applied)	5.00%	5.00%	5.00%	5.00%
Ghana	MFN duties (Applied)	10.00%	10.00%	10.00%	10.00%
Nigeria	MFN duties (Applied)	5.00%	5.00%	5.00%	5.00%
Angola	MFN duties (Applied)	2.00%	2.00%	2.00%	2.00%
	Preferential Tariff for SADC countries	0.00%	0.00%	0.00%	0.00%
Tanzania	MFN duties (Applied)	0.00%	0.00%	0.00%	0.00%
	Preferential Tariff for SADC countries	0.00%	0.00%	0.00%	0.00%
DRC	MFN duties (Applied)	5.00%	5.00%	5.00%	5.00%
	Preferential Tariff for SADC countries	0.00%	0.00%	0.00%	0.00%
Mozambique	MFN duties (Applied)	2.50%	2.50%	2.50%	2.50%
	Preferential Tariff for SADC	0.00%	0.00%	0.00%	0.00%

IMPORTING COUNTRY	TYPE	APPLIED TARIFFS	ESTIMATED TOTAL ADVALOREM	APPLIED TARIFFS	ESTIMATED TOTAL ADVALOREM
		2010		2011	
	countries				
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 Ghana and China have a heavily protected hemp industry with tariffs of 10% and 6% respectively, as compared to other countries. These tariffs have not changed in 2010 and 2011.

Table 7: Tariffs applied by South Africa to imports of hemp textiles and products from various origins

IMPORTING COUNTRY	TYPE	APPLIED TARIFFS	ESTIMATED TOTAL ADVALOREM	APPLIED TARIFFS	ESTIMATED TOTAL ADVALOREM
		2010		2011	
Thailand	MFN duties (Applied)	0.00%	0.00%	0.00%	0.00%
Japan	MFN duties (Applied)	0.00%	0.00%	0.00%	0.00%
China	MFN duties (Applied)	0.00%	0.00%	0.00%	0.00%
Chinese Taipei	MFN duties (Applied)	0.00%	0.00%	0.00%	0.00%
Republic of Korea	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%
Spain	MFN duties (Applied)	0.00%	0.00%	0.00%	0.00%
Switzerland	MFN duties	0.00%	0.00%	0.00%	0.00%

	(Applied)				
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%
Brazil	MFN duties (Applied)	0.00%	0.00%	0.00%	0.00%
Jamaica	MFN duties (Applied)	0.00%	0.00%	0.00%	0.00%
Nigeria	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 shows that hemp textiles and hemp products from other countries can enter South Africa free of duty between 2010 and 2011. This is to make it easier for South Africa based manufacturers to import hemp fibre 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.

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

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