

Pharmaceutical Industry in South Africa: Hemp & Cannabis farming Value Chain Analysis

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1.Introduction

- South Africa's pharmaceutical industry, the largest and most advanced in sub-Saharan Africa, plays a critical role in the delivery of healthcare.
- The industry is growing steadily, driven by research and development, innovation in biopharmaceuticals, public-private partnerships, and investment in local production, particularly in antiretrovirals, vaccines, oncology therapies, and treatments for chronic diseases.
- Pharmaceutical sales increased by 1.5% to R67.1bn in the 12 months to end-June 2024, from R66.1bn in 2023 (IQVIA, 2023).
    - While supply and demand have largely normalised since the pandemic, the industry is preparing for supply chain disruptions resulting from international trade tensions.
- Retail pharmacies play a crucial role in South Africa’s healthcare system, often as the first point of care for patients. Deeply embedded in their communities, these pharmacies are essential for preventative care and the treatment of common illnesses.

- With a growing population and an increasing number of patients diagnosed with chronic conditions, access to primary healthcare is critical.
- **There is also a growing demand for Beauty, skin and salon products from mostly women in South Africa, and Cannabis & Hemp plant has proven to a herb that provides bio-products for such final products.**
- **Hence this research study will also strategically focus on the Hemp & Cannabis industry value chain analysis, linking with the recent evidence-based research study conducted by the SEDFA Research & Development Unit within the Business Intelligence, Strategy, Monitoring & Evaluation Department to assist the Microfinance Department within SEDFA Wholesale with proposing a new support programme for Rural and Township Salons to SEDFA EXCO for approval.**

2. Description of the industry

- The Pharmaceutical industry includes research and development, production, and supply of products for the diagnosis, treatment, and prevention of illness and injury.
- Pharmaceuticals include medicines or medication or drugs, intravenous (IV) infusions, nutraceuticals (nutritional supplements), and sanitising products. Synthetic pharmaceuticals and their generic equivalents are derived from chemicals, while biologics (also known as biopharmaceuticals, biotech drugs, and biological products) are derived from living cells (from humans, animals, microorganisms, or plants).
- Biopharmaceuticals include vaccines, therapeutic proteins, blood, blood components, and tissues.
    - They may be curative (therapeutic) or prophylactic (disease-preventing). As its name suggests, a biosimilar is similar, but not identical to the original biological product on which it is modelled.
- Anti-bacterial sanitisers containing non-scheduled substances are classified as general consumer products and are controlled by the Foodstuffs, Cosmetics and Disinfectants Act (FCD Act).

2.1. Medical Cannabis

- The production and supply of products derived from **Cannabis** (Marijuana or Ganja, Hemp) for medical applications is a small but rapidly growing industry.
    - The Cannabis plant, which contains chemical compounds known as cannabinoids, ostensibly has medicinal properties.
- The Cannabis plant and its constituents were formerly classed as Schedule 7 drugs, but have been reclassified.
- Amendments to the schedules of the Medicines and Related Substances Act, 1965 (Medicines Act), came into effect on 22 May 2020, legalising the distribution of cannabidiol (CBD).
- CBD, which has no intoxicating effect, is available in oils, topical creams, gels and balms, capsules, suppositories, edibles, teas and beverages, cartridges for inhalation (using a CBD vape pen), patches, and tinctures. Tinctures consist of cannabis concentrate diluted into a carrier substance (such as alcohol) and can be ingested orally. CBD products are sold in a variety of outlets and via ecommerce.
- Medical cannabis products also contain Tetrahydrocannabinol (THC), which is a psychoactive (intoxicating) compound purported to have analgesic and anti-inflammatory properties.
    - THC is classified as a Schedule 6 substance and may only be dispensed under controlled conditions.
- The pharmaceutical sector is highly regulated, and the development, production, marketing, and sale of pharmaceuticals are strictly controlled. Products are scheduled based on safety and medicinal risk factors, including the potential for abuse or drug dependency.
    - Non-scheduled products include nutraceuticals and supplements, which may be sold off the shelf at health shops, supermarkets, and other retail outlets.
        - The four main product categories include wellness, self-medication, weight management or fitness, and sports nutrition.
    - Schedule 0 products, such as aspirin and vitamins, are relatively safe for self-medication and may be advertised and sold at supermarkets and other retail stores.

- Schedule 1 and 2 products, such as sinusitis and cough remedies, are non-prescription medicinal products that are available over the counter at pharmacies.
    - In the case of schedule 2 medicines, pharmacists and dispensing healthcare practitioners must provide guidance and record the patient's details, as some products can be harmful and addictive if incorrectly used.
- Schedule 3 and 4 pharmaceuticals are prescription drugs dispensed on the authorisation of a qualified healthcare professional.
    - Repeat prescriptions for chronic conditions, such as hypertension and diabetes, are normally restricted to six months.
- Schedule 5 medication includes products such as antidepressants and sedatives, which can be addictive.
    - Doctors need to monitor patients and control repeat prescriptions.
- Schedule 6 drugs include narcotics (such as the natural opiate morphine and the synthetic opioid fentanyl) that act on the central nervous system to relieve severe pain, dull the senses, and induce sleep.
    - They can be highly addictive and are restricted to a 30-day supply.
- Schedule 7 substances are highly restricted and may not be prescribed.
    - They include heroin, which is highly addictive and widely abused.
- There are three Schedule 8 drugs in South Africa – amphetamine, nabilone, and dexamphetamine.
    - These central nervous system stimulants are strictly controlled, and before being dispensed, medical practitioners must apply for approval from the Department of Health (DoH).

2.2. Industry Value Chain

2.2.1. Pharmaceutical Industry Value Chain

- The SA Pharmaceutical industry value chain is depicted below (Figure 1).

- The Pharmaceutical value chain includes Product development, Manufacturing, Wholesale trade and Distribution, Retail, and Patient access.
- Stakeholders include research organisations, academia, pharmaceutical manufacturers, regulators, healthcare providers, and pharmacies.
    - The major retail pharmacy groups are vertically integrated into wholesale supply.

Figure 1: SA Pharmaceutical industry value chain

2.2.2. Key Stages of the Pharmaceutical Value Chain and Major Supply Chain Challenges

- The Key stages of the Pharmaceutical Value Chain and Major Supply chain challenges are depicted below (Table 1).

Key stages of the Pharmaceutical Value Chain	Major Supply Chain Challenges
• Research and development (R&D) and clinical trials, including discovery of new drugs, preclinical testing, and regulatory approvals for clinical trials from bodies like SAHPRA.	• Logistics and distribution delays affect the availability of medicine, especially in rural areas.
• Manufacturing and formulation.	• Procurement inefficiencies and supplier failures contribute to medicine shortages in public sector hospitals.
• Regulatory approval and compliance.	• South Africa relies heavily on imported APIs, making the industry vulnerable to global supply chain disruptions.
• Distribution and wholesale trade.	• Rising transportation and production costs increase medicine prices, affecting affordability for patients and healthcare

Key stages of the Pharmaceutical Value Chain	Major Supply Chain Challenges
	providers.
• Retail and patient access through community pharmacies, hospitals, and designated service providers.	• There are different purchasing processes for the private and public sectors, and the product delivery routes to market vary according to whether patients receive treatment in the public or private sector.

Table 1: Key stages of the Pharmaceutical Value Chain and Major Supply chain challenges are depicted below. Source: Researcher's design

2.2.3. Hemp Industry Value Chain

- The SA Hemp industry value chain is depicted below (Figure 2).

Figure 2: SA Hemp industry value chain. Source: SA-TIED & DAFF, 2020

2.2.4. Hemp plant uses

- The Hemp plant uses are depicted below (Figure 3).

Figure 3: Hemp plant uses. Source: SA-TIED, 2020

2.2.5. National Cannabis Master Plan Framework

- The Department of Agriculture, Land Reform and Rural Development presented its '**cannabis master plan**' to parliament (Portfolio Committee) in July 2021, detailing how marijuana could be incorporated into South Africa's business sector as part of the government's ongoing drive towards legalisation and commercialisation (Business Tech, 2021).
    - The Department of Agriculture, Land Reform and Rural Development estimates that the cannabis industry is worth an estimated R28 billion in South Africa, and could create anywhere between 10,000 – 25,000 jobs across the sector (Business Tech, 2021).
        - Establishment (Development or Empowerment) of the cannabis industry will lead to diversification of the economy and thus increase economic growth, create jobs and for poverty alleviation.
- The cannabis sector also has huge potential in terms of the development of SMMEs, attracting domestic and foreign investment and value additions in processing and manufacturing of various products for local and export markets.

- However, before the value of South Africa's cannabis industry can be unlocked, the department indicated that government needs to address a number of issues including regulations, the distribution of seeds, and education initiatives.
    - To address these issues the Department of Agriculture, Land Reform and Rural Development has tabled 9 key pillars in the National Cannabis Master Plan Framework depicted below (Figure 4)

Figure 4: National Cannabis Master Plan Framework. Source: Business Tech, 2021

Pillar 1. Effective regulatory systems

- This pillar focuses on developing a new regulatory framework for both hemp and dagga.
    - This refers to the amendment of existing legislation by removing constraints that are hindering commercialisation.

Pillar 2. Sustainable seed supply system

- This pillar will focus on the production, processing, packaging and trade of seed and related products.
    - Some of the key proposals include:
        - Compulsory registration - All companies and organisations involved in breeding, multiplication and sale of cannabis seed must be registered and have valid permits to conduct their activities.
        - Certification schemes – All cannabis seed producers, packers and other role players will need to be included in a compulsory certification scheme.
            - The schemes will ensure that all members comply with regulations regarding seed quality and all other related matters.
        - Import and export control systems – There is a need for import and export control systems and protocols for cannabis seed to be developed and implemented.
        - Variety control and listing – All farmers of dagga and hemp will undergo testing to ensure their distinctiveness, uniformity and stability before they are released for trade on the South African market.
        - Seed testing – Seed that is destined for export market, as well as that for local markets, will be tested for quality and viability.

- This is aimed at ensuring that only high-quality seed is used locally as well as exported to other nations.

Pillar 3. Research and development

- This pillar will focus on supporting research and development programmes for the South African cannabis industry.
    - This will include breeding programmes and the development of new technologies needed across the entire value chain.

Pillar 4. Producer support systems

- This pillar will focus on mobilisation and supporting farmers to be incorporate into the cannabis value chains.
    - This also involves the inclusion of current “illegal” dagga growers into the formal system.
        - The farmers will need to be supported in terms of cultivar choices, cultivation practices, pest and disease control, harvesting and post-harvest practices.
        - There is also a need for dedicated funding for farmers participating in the cannabis industry.
            - Financial support may in forms of grant funding, loans, equity, blended funding, etc.
                - This is where SEDFA can play a pivotal role.

- The model (strategy) of inclusion of Small growers (MSMEs) into the Hemp and Dagga (Collectively Cannabis) value chains is depicted below (Figure 5).

Figure 5: Model of Inclusion of Small growers into the Hemp and Dagga value chains. Source: Business Tech, 2021

Pillar 5. Market development

- The pillar will focus on developing new local and export markets for the South African cannabis industry.
    - Proposals include the following.
        - Facilitate the development of domestic market for cannabis products.
        - Facilitate and co-ordinate the opening of export markets for South African cannabis products.
        - Facilitate public sector procurement of cannabis products from resource-poor farmers and manufacturers.

- Facilitate the development of appropriate market support infrastructure like processing plants and storage facilities.
- Development and implementation of incentive programmes to support the participation of resource-poor suppliers in the local and export markets for cannabis products.

Pillar 6. Supplier development

- This pillar focuses on supporting a wide range of suppliers to trade in the cannabis value chains to ensure sustainable growth and development of the industry.
- The local dagga growers and sellers should be included in the cannabis value chains. The same also apply to new small-scale growers from other poverty stricken areas of the country (Department of Agriculture, Land Reform and Rural Development, 2021).

Pillar 7. Manufacturing and product development

- This pillar will focus on supporting the growth and development of the manufacturing sector for cannabis products.
- There is a need for investments in the construction of manufacturing plants that will be used for producing food, medicine, beverages and a whole of other value-added products from raw material of both hemp and dagga (Department of Agriculture, Land Reform and Rural Development, 2021).
    - These investments will come from government, private sector, donors, and state-owned entities.

Pillar 8. Education

- This pillar is focused on providing a framework on education and training matters in support of the cannabis industry.
- Some of the intervention measures under this pillar include the following:

- Development and implementation of formal and informal training programmes on cannabis-related matters across its value chains.
- Integration of cannabis-related matters in curricula of schools, colleges and universities.
- Support cannabis education and training programmes through the appropriate Sector Education and Training Authorities (SETAs).

Pillar 9. Communication

- This pillar is focused on communicating a clear and unambiguous message about the cannabis industry and related matters to all stakeholders and the general public.
- Some of the intervention measures include:
    - Development and implementation of information and awareness programmes.
        - The core messages will focus on demystifying some of the negative perceptions about hemp, dagga and their products.
    - Promote consumer education and awareness regarding regulatory matters in order to promote compliance to government legislation and eliminate wrongdoers.

3. State of the industry

3.1. Pharmaceutical Regulatory Regime

- The Summary of the Pharmaceutical industry regulations regime is depicted below (Table 2).

Table 2: SA Pharmaceutical industry regulations regime summary. Source: Who Owns Whom (Pty) Ltd, 2025

Objectives	Description	Responsible Entities
Drug safety and efficacy	• Licensing pharmacy manufacturers and wholesalers. • Approval for testing new drugs. • Regulation of complementary health products and medical devices. • Issuing good manufacturing and distribution practice guidelines. • Licensing pharmacies and instore dispensaries.	• SAHPRA • South African Pharmacy Council • DoH
Fair pricing and access to medicines and related products	• Single exit price regime for medicines and scheduled substances.	• DoH • DTIC

3.2. Regulatory Developments

- The Pharmacist-Initiated Management of Antiretroviral Therapy (PIMART) programme was developed in response to a request from the DoH for an intervention to expand HIV prevention and treatment access.
- The South African Pharmacy Council introduced PIMART in 2021, allowing specially trained pharmacists to prescribe and manage anti-retroviral therapy for uncomplicated cases.

3.2.1. Cannabis

- The South African Cannabis Master Plan was published in 2021 to develop a framework for the commercialisation and regulation of the cannabis industry to unlock its economic potential while ensuring compliance with health and legal standards.
- Since then, the plan has undergone several updates, with the Department of Trade, Industry, and Competition (DTIC) taking over its coordination in September 2024.
- The Medicines and Related Substances Act regulates medical cannabis, allowing cultivation under a permit issued by the South African Health Products Regulatory Authority (SAHPRA).
- The Cannabis for Private Purposes Act, signed into law in 2024, clarifies personal use, possession limits, and cultivation rules.
    - While private use is legal, commercial sales remain restricted, and medicinal cannabis access requires compliance with strict regulations.

3.3. Opportunities for MSMEs

- The pharmaceutical sector is capital-intensive and highly regulated, making it difficult for small companies to operate successfully.

Table 3: Opportunities for MSMEs. Source: Who Owns Whom (Pty) Ltd, 2025

Opportunities for MSMEs
• Logistics and distribution services.
• Complementary medicines, including natural health products and traditional African medicine.
• Instore primary healthcare services.
• Developing AI-driven diagnostics apps.

Opportunities for MSMEs
• The development and production of health products containing CBD.
• The production of generics.
• Courier pharmacies.
• Chronic medication collection services.
• The production and supply of sanitising products and disinfectants.

4. Evidence-based research study conducted by the SEDFA Research Unit

- These are the findings and recommendations of the survey conducted by the SEDFA Research & Development Unit on 204 Township and Rural Salons located in North West, Northern Cape, and Free State provinces.
- Using the minimum value of each financing category (from the survey findings), the 204 surveyed enterprises represent an estimated minimum immediate financing demand of approximately R10.34 million, equivalent to an average minimum financing requirement of approximately R50,700 per enterprise.

4.1. Proposed Supplier partnership model for Township and Rural Salons

- The Proposed Supplier Partnership model is depicted below (Figure 6).
- The proposed Supplier partnership model aligns finance with productive investment by ensuring that funded enterprises have access to quality equipment, reliable suppliers and essential business inputs. Such an approach would improve programme efficiency, reduce procurement costs and strengthen the long-term sustainability of SEDFA's proposed salon financing intervention.

Figure 6: Proposed Supplier Partnership model. Source: SEDFA (2026), Township & Rural Salon Industry Survey

4.2. Business constraints of Township and Rural Salons

- The Business constraints of Township and Rural Salons are depicted below (Table 4).
- The top 4 Business challenges faced by the 204 surveyed Township and Rural salons include Access to finance (87.7%), High rental costs (40.2%), Lack of customers (33.8%), and Electricity interruptions (28.4%) (Table 4).

Table 4: Ranked business challenges reported by survey respondents. Source: SEDFA (2026), Township and Rural Salon Industry Survey.

4.3. Intended use of finance required by Township and Rural Salons

- The Intended use of finance required by Township and Rural Salons is depicted below (Table 5).
    - The majority of respondents (129 enterprises; 63.2%) indicated that finance would primarily be used to purchase equipment.
        - This was followed by renovations (15.7%) and (13.2%) identified purchasing stock as their primary financing need.
            - Only 14 respondents (6.9%) indicated that finance would primarily be used for working capital, while 2 respondents (1.0%) prioritised solar or alternative energy solutions.

Table 5: Intended use of finance required by Township and Rural Salons. Source: SEDFA (2026), Township and Rural Salon Industry Survey.

5. Conclusion and recommendations

- There is a need for the Department of Health to relax or lift the regulations that hinder growers and suppliers of **Cannabis** (Hemp and Marijuana) from planting Cannabis raw materials that can be integrated into the manufacturing of Hair Beauty & Salon, and Cosmetics industries products.
    - The lifting or relaxation of regulations will help to open markets (market access) to domestic or local Micro, Small, and Medium Enterprises (MSMEs) and Salons.
- The SA Government should recognise **Township and Rural salon enterprises** as a **strategic** micro enterprise market.
    - These small businesses have a huge potential of creating employment for locals and increasing Gross Domestic Product.
- SEDFA should develop financing solutions that support productive investment targeting MSMEs trading in the Cannabis industry and Hair Beauty & Salon industry.