

# Africa's place in the global cannabis industry

 By [Sibusiso Xaba](#)

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Over 2021, the legal cannabis industry continued to grow despite the volatility and uncertainty caused by the Covid-19 pandemic.



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North America continued to lead the charge in terms of capital raising, industry growth and product innovation. By our estimates, over \$5bn was raised by US cannabis companies in 2021, illustrating the strong conviction investors hold for the outlook of the sector. The number of jobs created by the legal US cannabis industry to date is well over 350,000.

Outside of North America, we saw significant strides being made across Europe, expected to be the largest medical cannabis market in the world in coming years. This was especially true with capital raising. In 2021, the UK allowed medical cannabis companies to list on its exchanges for the first time, resulting in a number of prominent cannabis companies raising capital in UK public markets.

The combination of easing regulations, as well as the expansion of funding sources, has seen the cannabis industry shift gears towards a more compelling growth trajectory.

## Africa's cannabis outlook

Africa's cannabis industry has also begun to see the benefits of an improving global cannabis outlook. Africa has seen a year of significant progress across a number of key markets including South Africa, Lesotho, Zimbabwe and Uganda.

The most significant developments on the continent have happened in South Africa, the market that we expect to be the largest African cannabis market by revenue. Not only did South Africa introduce a comprehensive cannabis Master Plan for the sector, but important steps were taken to allow for the commercial cultivation of hemp. Despite the many relevant concerns outlined by industry stakeholders related to the master plan and proposed cannabis regulations, the fact that the South African cannabis industry is making important strides is undeniable.

Due to South Africa's inherent advantages (strong agricultural sector, world-class pharmaceutical industry, R&D expertise and skilled labour force to name a few), we believe that South Africa will be the template used by other African countries as they develop their respective domestic cannabis industries. There is also the added knock-on economic effect that the growth of the cannabis industry in South Africa and the continent will have through the introduction of crop and product-related innovations.

One such innovation that has already been successfully used in the US and other areas around the world, which was recently introduced into the country is called Airocide. These innovative and effective units use NASA optimised photocatalytic oxidation ("PCO") technology to control and kill infections and have been particularly successful in helping to mitigate the problem of powdery mildew for cannabis growers.



## South Africa's potential in the cannabis global industry

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Looking at the rest of the continent, great strides were made by African producers in exporting cannabis products and starting material internationally. By our estimates, over 15 tons of legal cannabis was exported by Africa to the rest of the world, representing an increase of ten times the amount from 2020. Alongside South Africa, Lesotho and Uganda were some of the main exporters in 2021.

Despite the improvement in the cannabis business environment, the cannabis industry is characterised by slow, confusing and an often unclear legislative environment.

Countries and states have significantly different approaches towards regulating the industry, creating an exceptionally challenging environment to make business and capital allocation decisions.

This means that many local cannabis operators will struggle to reach financial viability, and some will certainly go bankrupt. As seen in markets such as North America, we expected significant divergence between well-run cannabis operators and those less able to navigate the difficult terrain.

2021 has reaffirmed the clear global trend of improving regulations and an increasingly expanding investor pool for the sector. The future winners of the African cannabis industry will be the entrepreneurs that are able to not only execute well, raise and deploy capital intelligently, leverage technology to improve product quality, but who are also nimble enough to

adjust their business strategy with ever-changing market conditions.

2022 will be a year of continuously improving regulatory conditions, improved access to capital and talent for the industry. Despite the many headwinds faced by the cannabis industry, the tide is slowly changing for the better.

## ABOUT SIBUSISO XABA

Sibusiso Xaba is the co-founder and CEO of Africa Cannabis Advisory Group, a leading services provider specialised in the medical cannabis and hemp industries. He is working closely with companies like 3Sixty Biopharmaceutical and key cannabis stakeholders to help connect and introduce exciting technology and innovations like Airocide to the industry.

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