Close to me. Intercooperation between Cooperative Retailers, Local Food Suppliers and Public Institutions to boost Regional Agrifood Systems. The case of Eroski

Josu Santos-Larrazabal, Imanol Basterretxea

ABSTRACT: This paper analyses the intercooperation between public administration, small agricultural producers and the supermarket cooperative Eroski in the Basque and Navarre to promote a local agrifood system. Through a case study with 22 interviews with different members of the system, certain advantages and limitations of intercooperation are identified. The retailer emerges as the main agent with the potential to drive the supply of the local agro-livestock sector and promote its professionalisation through the formation of agricultural cooperatives and other associative networks. The relevance of a correct organisational culture alignment between the retailer and its suppliers and the influence of codependence and power imbalances between these two parties are highlighted. The case offers clues to other retailers who are interested in improving their local positioning, to small local producers wishing to develop their business in a sustainable way with large scale distribution, and to public institutions wishing to promote local agrifood systems in collaboration with large retailers.

KEYWORDS: Regional agrifood system, cooperative retailer, supply chain, public policy, intercooperation, Mondragon.

ECONLIT DESCRIPTORS: Q13, Q18, R11, R58.

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RESUMEN: Este trabajo analiza la intercooperación entre la administración pública, los pequeños productores agrarios y la cooperativa de supermercados Eroski en el País Vasco y Navarra para promover un sistema agroalimentario de proximidad. A través de un estudio de caso con 22 entrevistas a diferentes miembros del sistema, se identifican ciertas ventajas y limitaciones de esta intercooperación. El minorista emerge como el principal agente con potencial para impulsar la oferta del sector agroganadero local y promover su profesionalización a través de la formación de cooperativas agrarias y otras redes asociativas. Se destaca la relevancia y necesidad de un correcto alineamiento entre la cultura organizativa de los minoristas y la de sus proveedores y la influencia de la codependencia y los desequilibrios de poder entre ambas partes. El caso ofrece pautas a otros minoristas interesados en mejorar su posicionamiento local, a pequeños productores locales que deseen desarrollar su negocio de forma sostenible con la gran distribución y a instituciones públicas que deseen promover sistemas agroalimentarios locales en colaboración con la gran distribución.

PALABRAS CLAVE: Sistema agroalimentario regional, cooperativa minorista, cadena de suministro, política pública, intercooperación, Mondragón.

Resumen Amplio

Cerca de mí. Intercooperación entre cooperativas minoristas, proveedores locales de alimentos e instituciones públicas para impulsar Sistemas Agroalimentarios Regionales. El caso de Eroski

La liberalización del mercado agroalimentario europeo y la progresiva desintegración del proteccionismo de la Política Agrícola Común enfrenta a los pequeños agricultores a una crisis constante, que se suma a su falta de infraestructura logística, conocimientos técnicos o acceso a capital. En este contexto, las empresas cooperativas han ganado especial atención académica e institucional como organizaciones estratégicas para el desarrollo económico sostenible y una mayor cohesión social a nivel local. Los sistemas agroalimentarios locales también juegan un papel relevante en los planes de desarrollo territorial y en la literatura académica, porque concentran un gran número de actores, conectados por un espacio geográfico concreto y por sus características, que cooperan para desarrollar, producir y comercializar productos, apoyándose en los recursos regionales. Además, ante el aumento del interés de los consumidores por los productos locales, el sector minorista ha interiorizado que debe competir en colaboración con sus pequeños proveedores locales.

A través de un estudio de caso basado en 22 entrevistas a actores de diferentes ámbitos de la cadena de suministro, y respaldado por numerosa información cuantitativa de fuentes tanto primarias como secundarias, este trabajo analiza la intercooperación entre la administración pública, los pequeños productores agrarios y la cooperativa de supermercados Eroski en el País Vasco y Navarra para promover un sistema agroalimentario de proximidad. Este estudio pretende (1) analizar los mecanismos que las entidades públicas y privadas ponen en marcha para promover un sistema agroalimentario local como el vasco-navarro y los beneficios para las partes implicadas; e (2) identificar los conflictos que pueden surgir entre las partes en este tipo de relación y las lecciones clave para resolverlos.

El estudio analiza diversas iniciativas exitosas de intercooperación entre minoristas, gobiernos regionales y pequeños proveedores locales, para valorizar, promocionar y comercializar productos locales. Estas iniciativas han supuesto para los pequeños proveedores locales un crecimiento sostenido y significativo de sus ventas, una menor sensibilidad a las fluctuaciones del mercado, profesionalización (homogeneidad, calidad, seguridad, logística, capacidad financiera) y consolidación de las estructuras agrarias de base territorial, especialmente las cooperativas agrarias.

Es preferible que los gobiernos de los sistemas agroalimentarios locales antepongan a las subvenciones directas los acuerdos con los minoristas para estimular indirectamente la producción. Gracias a su amplio conocimiento de las tendencias de consumo y a su poder oligopolístico, la distribución tiene capacidad para impulsar la oferta aumentando la demanda. Cabe mencionar la técnica de tracción a dos niveles, que consiste en lograr un crecimiento sectorial junto con el pequeño proveedor local dominante, y luego apoyar a los más micro que se suman a este crecimiento sectorial.

La apuesta por los productos locales y el desarrollo de sistemas agroalimentarios locales conlleva costes adicionales para el comercio minorista, pero también vincula su marca a conceptos como salud o sostenibilidad y permite a los pequeños proveedores locales mejorar sus economías de escala, lo que puede conducir a una bajada de los precios de los productos locales y el consiguiente aumento de su base de consumidores.

Se identifica un problema de alineación cultural (herramientas, procesos, lenguaje, necesidades) entre las partes. Tanto los minoristas como los pequeños proveedores locales deberían desarrollar iniciativas para alinear sus culturas organizativas, con el apoyo que ofrecen las diferentes instituciones públicas y asociaciones de productores. Una medida que facilita este alineamiento y una comunicación fluida es que los pequeños proveedores locales contraten a directivos con experiencia previa en el comercio minorista y viceversa.

También se identifican altos niveles de dependencia por parte de algunos pequeños proveedores locales que concentran más del 50% de su facturación en Eroski y que ven limitada su capacidad de diversificación debido a “recelos” del minorista. Los conflictos en la relación derivados de esto podrían suavizarse mediante un enfoque más estratégico, con reuniones centradas en debates conjuntos sobre objetivos de crecimiento o incluso con la firma de contratos de suministro a largo plazo. Además, los sellos de certificación de calidad podrían mejorar la inherente baja posición de poder de los pequeños proveedores locales, al aumentar su atractivo para otros minoristas y el coste de cambio del comprador. Junto a ello, la certificación puede ayudar a la profesionalización de estos proveedores y contribuir así a la alineación de las culturas organizativas.

Observamos que los minoristas prefieren cooperar con los pequeños proveedores locales que trabajan en asociación, como cooperativa, o bajo marcas de calidad. Aunque esto puede implicar una disminución de su poder de negociación, permite al minorista ampliar el impacto de sus iniciativas y lograr un mayor desarrollo del sistema agroalimentario local. Estos productores que se asocian para intercooperar con los minoristas comparten conocimientos y recursos para realizar mayores inversiones y crear actividades conjuntas; refuerzan su predisposición a trabajar con mayores estándares de calidad y logran una mayor profesionalización y alineación de culturas organizativas con los minoristas.

Este trabajo supone una contribución a la literatura sobre la creación, consolidación y promoción de los sistemas agroalimentarios locales porque se centra en el papel de las grandes cadenas de supermercados en el lado de la oferta, algo que las investigaciones previas apenas han abordado. Se presentan datos y percepciones proporcionados por el sector minorista, que permiten un análisis novedoso y poco convencional, dada la dificultad de acceder a ellos de forma regular. Sumado a esto, este estudio incluye las opiniones de diversos agentes de la cadena de valor y aporta una visión relacional, intercooperativa y a largo plazo a los enfoques de la bibliografía sobre los sistemas agroalimentarios locales. Las conclusiones extraídas de esta experiencia corresponden a un caso concreto de estudio y no deben generalizarse a otras relaciones de la cadena de distribución en otro contexto socioeconómico, político o territorial. Sin embargo, pueden servir de lección para las grandes superficies que operan en regiones con sistemas agroalimentarios débiles y que, impulsadas por las tendencias de consumo, quieren dar protagonismo a su posicionamiento local como estrategia de diferenciación; para los pequeños proveedores locales que quieren expandir de forma sostenible la venta de sus productos a las grandes superficies, y para los gobiernos e instituciones públicas que buscan implementar políticas públicas para el desarrollo territorial de sus sistemas agroalimentarios locales.

1. Introduction

The liberalisation of the European agrifood market and the progressive disintegration of the protectionism of the Common Agricultural Policy (CAP) (European Commission, 2012) add complexity and uncertainty to transactions between farmers and retailers (Ciliberti et al., 2020). This confronts smallholder farmers with constant crisis, permanent decline and marginalisation (Anderson & McLachlan, 2012). In addition, most of these smallholder farmers lack the necessary logistical infrastructure, expertise, capital and access to credit (Jensen, 2010).

In this context, cooperatives have gained special academic and institutional attention as strategic organizations for sustainable economic development and greater social cohesion at the local level (Bretos & Marcuello, 2017; Ciliberti et al., 2020). Local agrifood systems also play a relevant role in territorial development plans and academic literature (Sanz-Cañada & Muchnik, 2016). This is due to their numerous socioeconomic and environmental benefits (Kolodinsky et al., 2020).

Furthermore, consumers show increasing interest in local products (Fernández-Ferrín et al., 2020) and are willing to pay premium prices for them because of their organoleptic characteristics and their perceived socioeconomic and environmental benefits (Telligman et al., 2017). Faced with this situation, the retail sector has internalised that it must compete in collaboration with its supply chain members (Tanskanen et al., 2017) because a fruitful relationship with small local suppliers legitimises retailers in their environment and allows them to gain consumer support (Kim et al., 2014).

This paper studies the case of the Basque-Navarre regional agrifood system. In this territory there is intercooperation between retailers, in this case represented by the Eroski cooperative supermarket chain; a series of local small and medium-sized enterprise (SME) suppliers, acting individually and associatively; and the governmental entities which belong to the two regions that form the system. The cooperative nature of Eroski, combined with the characteristics of these suppliers and the rich institutional context (linked to quality brands) of the area where its activity occurs, provide a context of great academic interest to study a topic that combines cooperativism and local agrifood systems.

Most of the prolific local food literature focuses on consumers' profiles, their political identity, their perceptions and purchase motivations and their willingness to pay (Malone & Norwood, 2020). The most recent studies on local agrifood systems analyse their: influence on health (Brunori & Galli, 2016); territorial anchoring (Muchnik & Sainte Marie, 2010); socioeconomic and environmental aspects (Foresight, 2011); participants' food culture (O'Kane, 2016); members' ability to valorise food identity and territorial specificity, through geographical and organisational proximity (Torre & Beuret, 2012). They also analyse the nutritional quality of foods and their affordability, accessibility and acceptability (Waterlander et al., 2018); creation of new transformative institutions (Giraldo & McCune, 2019); valorisation of their resources (Fournier & Muchnik 2012); and proximity effects on the development of relational networks among members (Sanz-Cañada & Muchnik, 2016). Studies on cooperativism barely related to local agrifood systems focus only on farmer cooperatives, leaving aside cooperatives on the distribution side, see e.g. Ciliberti et al. (2020), Filippi (2014) or Giagnocavo et al. (2014). The reviewed literature does not discuss how to achieve transformational change in the system through different planning tools (Buchan et al., 2015) and through three-tier intercooperation between food producers, retailers and public bodies.

Given these gaps, this study aims to contribute to the literature on the creation, consolidation and promotion of local agrifood systems and their socioeconomic impacts, focusing on the role of large supermarket chains in the supply-side. To this end, the research is based on two research questions:

Q1: What mechanisms are implemented by both public and private entities to promote a LAFS such as the Basque-Navarre one, and what are the benefits for the parties involved?

Q2: What conflicts can arise between the parties in this type of relationship, and what key lessons can be identified to solve them?

This research aims to answer these questions through the study of the case of Eroski cooperative in a territory where retailers, small producers and public institutions intercooperate with the common goal of developing the territory's agro-livestock sector. The study presents valuable data and insights provided by different agents. It also provides a relational view of the phenomenon, through findings on alignment of organisational cultures or dependence and power among members. Finally, given that the Eroski retailer is a worker–consumer hybrid cooperative, this study contributes to the study of the different approaches to intercooperation among the local agrifood system members; it analyses whether the retailer–local producers intercooperation favours the development of agricultural cooperatives and other group marketing structures.

The second section provides a review of the most relevant issues in the literature on local agrifood systems, which is followed by a brief contextualisation of the case. The fourth and fifth sections, respectively, provide a description of the research methods and a summary of the fieldwork's most relevant results. The last section is devoted to discussion and conclusions.

2. Local Agrifood Systems

A local agrifood system is a concentration of agrifood farms and industries, marketing, auxiliary and service companies, sectoral and public institutions, natural resources, activities, know-how and food behaviours that are connected by a specific geographic area and by their characteristics and modes of operation. The actors involved cooperate to develop, produce and market products, relying on local and regional resources (Muchnik & Sainte Marie, 2010; Torres-Salcido & Muchnik, 2012).

Local agrifood systems are based on regionalised, short, value-based supply chains; but the boundary between their marketing channels and more conventional channels is blurred because farmers often participate simultaneously in both (López-García et al., 2019). Moreover, they include both direct marketing arrangements, in which farmers sell their products directly to consumers (Andreatta & Wickliffe, 2002), and indirect arrangements, which are supply chains with a very limited number of intermediaries, such as distributors or producer cooperatives (Low & Vogel, 2011).

Local agrifood systems benefit their territories' socioeconomic growth (McFadden, 2015), maintain a commitment to territorial and cooperative-based agricultural structures (Boucher 2012) and boost cooperative competition (Chiffoleau & Touzard, 2014). These systems foster social (Kamenidis et al., 2014; Kasimis & Papadopoulos, 2017; McFadden, 2015) and intellectual (Schmit et al., 2017) capital and knowledge sharing (Brasier et al., 2007) along the supply chain.

Local agrifood systems strengthen farmers' bargaining power (Kasimis & Papadopoulos, 2017), improve the prices they receive for their products, provide them with more transparent information (Kamenidis et al., 2014) and make them less sensitive to market risks (Richard et al., 2014). They provide development opportunities for small farms through networking forums and educational programmes about production techniques, marketing and business planning (Aubert, 2013). This support is closely linked to the supplier development concept (Sucky & Durst, 2013). The socioeconomic and environmental benefits of local agrifood systems also benefit more conventional networks within the same territory (Lamine et al., 2012).

Local agrifood systems are an institutional tool used by administrative bodies to plan and implement public policy programmes for territorial development (Torres-Salcido & Muchnik, 2012), and there are many positive examples of this (Giacomini & Mancini, 2015). In turn, the institutional and political environment of local agrifood systems is essential for their success (Provè et al., 2019). Through laws such as the CAP (European Commission, 2012), the European Union has regulated the supply of agrifood products; it has encouraged producers to organise themselves and also to enhance both their sense of belonging to an area and their willingness to act in the common interest of their members. The opinion of the Committee of the Regions (2011/C 104/01) on Local Food Systems also states that its members should consider these systems' development objectives in their rural development strategy.

Mostly in the local food systems of southern Europe, where gastronomy is more rooted in both territory and cultural identity, production is usually endorsed by geographical indications and traditional specialities seals (protected designation of origin (PDO), protected geographical indication, traditional specialities guaranteed). These seals legally link products to specific territorial attributes and their traditional practices and guarantee other attributes such as fair labour, sustainable production methods or ethical aspects such as animal welfare (Grunert et al., 2014).

This type of supply chain labelling strengthens the economic cooperation processes between actors belonging to a given territory, which are organised through long-term contractual relationships that do not affect their autonomy. This leads to a collective comparative advantage from which they benefit individually. Chain governance is entrusted to a cross-sectoral organisation, association or consortium of producers, which must promote and protect the chains' collective interests, mediate between its members, plan production, report on members' behaviour and market trends, promote trade associations and establish barriers to entry (Perrier-Cornet & Sylvander, 2000). Smaller producers often find it discouraging to participate in local agrifood systems' indirect marketing and consequently develop collective actions to act directly with the recognition of these labels (Giacomini & Mancini, 2015). In the case of farmer cooperatives, these certificates also help them to meet standards and to better position their products, improving their competitiveness and the imbalance of bargaining power vis-à-vis distribution (Ciliberti et al., 2020; Giagnocavo et al., 2014).

3. Basque-Navarre Regional Agrifood System

When discussing food production and marketing, the term local is an ambiguous, subjective and difficult concept to delimit (McFadden, 2015). From a physical proximity viewpoint, local is understood as anything produced within a given geographical or political boundary (Printezis et al., 2019). The relational aspect of local refers to economic, social or symbolic connections (Bazzani & Canavari, 2017) or to organisational proximity, knowledge or places of action between actors in a system (Torre & Gilly, 2000). This is in line with Filippi's (2014) definition of territory as a physical and relational spatial construct that arises from the intentional coordination of stakeholders. Meanwhile, Eroski's approach to the local concept is based on the political configuration of the Spanish state into autonomous communities. Due to their similarities, this study uses the terms local and regional interchangeably (McFadden, 2015).

There are several reasons why the Basque–Navarre territory's regional agrifood system (Figure 1) was chosen for study. These regions fit the definition of local agrifood system, as they share borders, landscape, society, culture, symbolism, gastronomic tradition, economic ties and agricultural SME network characteristics. They are among the most representative regions for Eroski in the food business, together having more stores than any other region (360 stores in 2020). They also have the highest number of Eroski's small local producers as a whole, 20.2% of all the small local producers Eroski worked with in 2021 (Figure 2). Moreover, it is the origin place of Eroski, and it would have been very complex to study in depth the cooperative's activity in each of the Spanish regions where it operates.

Basque Country has a surface area of 7,234 km2 and a population in 2021 of 2,177,654 inhabitants, which gives it a high population density of 301.03 inhabitants per km2. The population density of Navarre in 2021 was lower, at 63.21 inhabitants per km2, with a surface area of 10,391 km2 and a population of 656,836 inhabitants. Due to its irregular orography, climate and high population density in certain areas, as the interviewed public administration representatives pointed out, this territory is deficient in foodstuffs such as meat (<30% self-sufficiency in Basque Country) or fruit and vegetables (<2% self-sufficiency in Basque

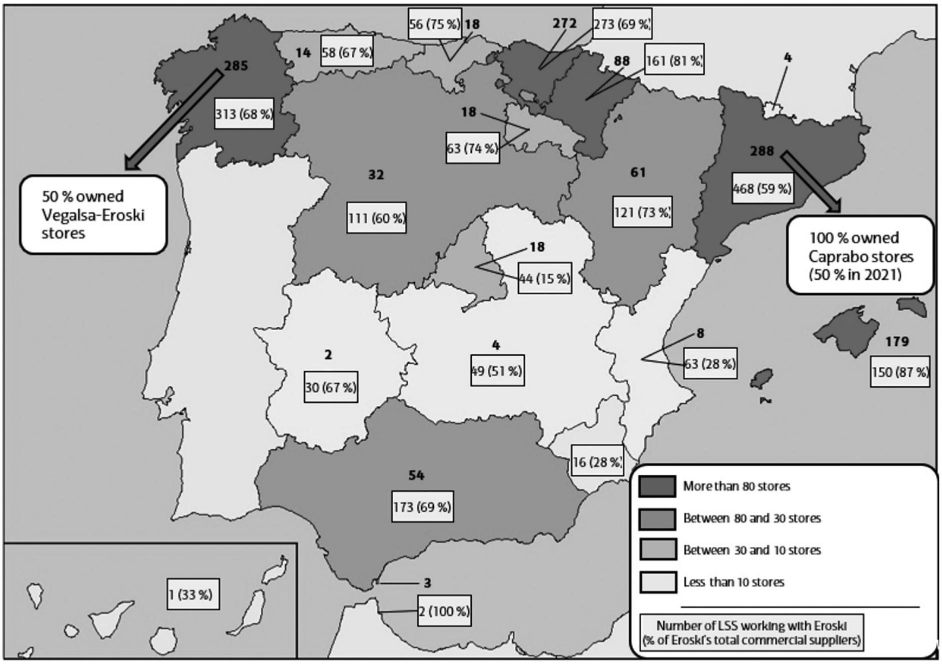
Country), which makes it necessary to articulate policies from Basque and Navarre governments to stimulate the agrifood sector.

In the Basque-Navarre regional agrifood system, Basque Country and Navarre's regional governments articulate their agrifood development policies respectively through the HAZI Foundation and the public firm Institute for Agrifood Technology and Infrastructure of Navarra (INTIA). Their objective is the knowledge transfer in economic matters, technological innovation and management in the agrifood sector. The aim is to improve this sector's viability, competitiveness and sustainability and to maintain a living rural and coastal landscape, respecting the environment and food quality, and always in line with European policies. These institutions also work together with PDO regulatory councils and other quality seals which certify, control and promote their products; they manage their regions' main quality brands, Eusko Label and Reyno Gourmet, respectively.

Figure 1. Territory hosting the Basque-Navarre Regional Agrifood System

Source: Own elaboration.

Figure 2. Distribution of the 1,348 owned and franchised physical stores dedicated to the food business (2020) & Eroski's 2,152 local SME suppliers (2021)



Source: Own elaboration with data extracted from Eroski (2021, 2022).

4. Methods

This is a unique exploratory–explanatory case study, which identifies potential theoretical issues and details a particular phenomenon of great scientific interest (Yin, 2009). This methodology combines quantitative and qualitative evidence (Byrne, 2013).

Regarding the quantitative information, the most relevant external documentary evidence from press releases and different databases was analysed and internal Eroski documentation was collected, such as the survey results for local SME suppliers (LSS) collected in 2013, 2017 and 2020 and for customers collected in 2012, 2017 and 2020; the information presented at the meetings with Basque suppliers in 2012 and 2018; the annual reports between 2013 and 2021; and the data that is available on Eroski's website. The results of a survey of Basque consumers conducted by HAZI Foundation in 2018 were also obtained.

Some secondary sources provided qualitative information, such as internal reports, press interviews and reports where Eroski collected consumers' feedback in 2018 and 2020. The main primary source came from a fieldwork based on 22 in-depth interviews with a representative and reliable set of participants in the regional agrifood system. The sample of interviewees was identified using theoretical (Glaser & Strauss, 2017) and snowball (Patton, 2002) sampling. The criterion for choosing interviewed LSS was based on their being suppliers that met the definition of SME in accordance with current European Union legislation (Annex I of Commission Regulation (EU) No. 651/2014 of June 17, 2014) and that served Eroski products that met the established definition of local. To increase the richness, validity and reliability of the information collected (Miles et al., 2014), and to avoid biased results based on limited and homogeneous information (Solarino & Aguinis, 2021), these interviews included contributions from: managers of 14 LSS that work with Eroski and belong to strategic sectors of the regional agrifood system (Table 1), two of whom were former Eroski partner-workers; a HAZI Foundation representative, who was a former senior manager of an Eroski LSS; two INTIA representatives; a representative of a PDO regulatory councils that encompasses 48 LSS; and 4 Eroski senior managers, one of whom was directly involved in the local product.

A semi-structured script was developed based on the study's conceptual framework, which was modified as the fieldwork progressed (Gioia et al., 2013). Semi-structured interviews are particularly effective for intensive and detailed analysis of case studies (Bell et al., 2018). To obtain more information from the interviewees, the interviews were complemented with information drawn from the reviewed literature and from previous interviews. The interviews were conducted between October 2020 and July 2022, lasted between 60 and 120 minutes and were recorded and transcribed verbatim. The approval of the Ethics Committee of the University of the Basque Country guaranteed the exclusively academic motivation of the study and the diversity and anonymity of the interviewees, thus reducing fear of possible leaks or litigation (Warren, 2002). The fieldwork data collection ceased at the point of theoretical saturation, when the marginal contribution of each interview began to diminish (Miles et al., 2014; Strauss & Corbin, 1990).

To maintain theoretical-interpretative consistency, an inductive analytical approach was adopted (Bonache, 1999), appropriate for qualitative content (Glaser & Strauss, 2017). Construct validity was achieved through triangulation (Miles et al., 2014) of evidence drawn from multiple sources (Yin, 2009), and this evidence was analysed using an iterative process of categorisation, interpretation, discussion and explanation, which provides reliability (Yin, 2009). The qualitative information analysis software NVivo 10 supported this process. A peer outside the project who analysed, discussed and reviewed the draft provides further construct validity and reliability (Gibbert et al., 2008). Key informants representing Eroski, with whom there is a confidentiality agreement, followed the same procedure. Internal validity is guaranteed by the common behavioural patterns that explain the event. External validity was achieved with congruent results, which could be generalised to other studies (Yin, 2009).

Table 1. Eroski's LSS who participated in the interviews

Interviewee	Legal Form	Billing % with Eroski	SME type	Region
LSS 1	PuLC	15%	Small	Basque Country
LSS 2	Coop	35%	Small	Basque Country
LSS 3	Coop	77%	Medium	Basque Country
LSS 4	Coop	65%	Small	Basque Country
LSS 5	Coop	27%	Medium	Basque Country
LSS 6	SAT	21%	Small	Navarre
LSS 7	Coop	55%	Medium	Basque Country
LSS 8	PrLC	66%	Small	Basque Country
LSS 9	PrLC	10%	Small	Basque Country
LSS 10	PrLC	10%	Medium	Navarre
LSS 11	PrLC	-	Small	Basque Country
LSS 12	PuLC	20%	Small	Navarre
LSS 13	Coop	2%	Micro	Navarre
LSS 14	PrLC	20%	Small	Basque Country

Coop = Cooperative, PrLC = Private limited company, PuLC = Public limited company, SAT = Sociedad agraria de transformación (Agricultural processing company).
Source: Own elaboration.

5. Results

The following includes the main perceptions and findings extracted from the interviews and the analysed material on the main advantages and limitations of the three-tier intercooperation between Eroski, its LSS and different governmental institutions, for developing the local agrifood system.

5.1. Three-tier Intercooperation Initiatives

The orographic characteristics of the Basque and Navarre territories make it impossible for the primary sector agrifood businesses to have economies of scale that provide them with a competitive advantage related to efficiency and/or competitive prices. The alternative for the sector to make its farms profitable is to differentiate itself by promoting their quality and story and to position its product in a high value and price segment among consumers. This is the reason for the increased development of geographical indications and traditional specialities seals and the commitment to a *bucolic* story in Basque Country and Navarre.

Faced with this situation, at the beginning of the 2010s, the Basque Government reached agreements of intent, without economic content, with supermarket chains operating in the region. These agreements seek to boost demand in order to indirectly stimulate production, thus avoiding direct subsidies to LSS.

Thanks to the various customer loyalty tools and information garnered from them, retailers know their consumers' habits. In 2021 more than 6 million people used Eroski's consumer membership card; the knowledge derived from this data is one of a retailer's most valuable assets. Knowing the market trends for each product and having a large market share enables a retailer to organise production efficiently and gives it the potential to be the main driving force in the primary sector in its operating regions. This great driving force allows the retailer to incentivise, through demand, LSS' supply. In the case of Eroski, its commitment is of great importance to producers and suppliers for the development of group marketing structures, cooperatives or PrLC in Basque Country and Navarre. In the case of Eroski and due to its outstanding capacity as a driving force, the Basque Government has achieved a more intense dynamic of collaboration and promotion of local producers, with monitoring and decision-making processes. By means of the aforementioned agreements of intent, Eroski and the Basque Government's Department of Agriculture both agree on the main areas and categories to be promoted in the region's primary sector.

> *Eroski's ability to pull through demand is greater than the government's ability to pull through subsidies.*
>
> [PDO regulatory council representative]

Approximately since 2012, the year its *SME Commitments* were established, Eroski has collaborated with the regional governments of the places where it operates to serve as a vehicle for its policies to boost the local primary sector. In 2018 Eroski had 1,540 long-term professionalisation agreements with various local agrifood SMEs and sectoral associations, through a two-level policy: (1) the local regional, which entails working with dominant suppliers in highly atomised sectors, not only for them to grow but for the sector to grow through the valorisation of their products, the defence of their interests or the collaborative, sustainable and diversified development of certifications, private labels and new formats and ranges; (2) the closer local or micro, which requires working with other smaller suppliers that join this growth in their sector and provide Eroski with the necessary local product differentiation.

> *We want to increase production in the categories with the greatest potential in each region. Working in collaborative projects is the maximum expression of generating wealth in the environment. There are us, the producers, the sectoral associations and the administrations, and all together we combine interests and share information.*
>
> [Eroski manager]

The following initiatives and those included in Table 2 stand out in the analysed documentation and in the interviewees' testimonies.

Table 2. Other Eroski initiatives in collaboration with public entities in Basque Country and Navarre

Collaborators	Since	Goal
HAZI Foundation (Department of Economic Development and Infrastructures of the Basque Government)	2021	Creation of the Basque Wine brand for market differentiation of wines from Basque Country with PDO seal.
Enkarterrialde Rural Development Association (HAZI Foundation)	2020	Collaboration agreement for the promotion, innovation, development and enhancement of local agrifood products in the region.
Basque Ecodesign Centre (private Basque companies from various sectors and the Basque Government) and small local milk and egg suppliers	2020	Publication of environmental declarations for private label products that help producers understand and minimise their environmental impact.
Farmers' Association of Araba (UAGA)	2019	Agreement for innovation, development, diversification and promotion of agricultural products from the Basque province of Araba, within the framework of health and sustainability.
AZTI (scientific and technological centre) and small local suppliers. Financed by the European Regional Development Fund (ERDF) and iHobe (Basque Government).	2019	Collaboration in the design of a system for calculating and transparently communicating the environmental footprint of the agrifood sector in Basque Country, moving toward a more sustainable production and distribution model.
Federation of Rabbit Farmers of Euskal Herria	2017	Collaboration agreement to enhance, promote and market certified rabbit meat and support producers with a higher remuneration.
Basque Government	2014	Adhesion to Nirea Akordioa, an agreement to promote food from the primary sector of Basque Country.
Department of Economic Development and Competitiveness of the Basque Government	2013	Collaboration agreement to promote job creation and the growth, sustainability and diversity of local producers.
Department of Rural Development, Environment and Local Administration of the Government of Navarre, INTIA-Reyno Gourmet	2013	Agreement for the promotion of agrifood products from Navarre with quality and origin certification and the development of suppliers from the region.

Source: Own elaboration based on analysed documentation and interviewees' testimonies.

5.1.1. Collaboration during the Covid-19 lockdown

During the hardest period of the pandemic in Spain, between March and June 2020, Eroski collaborated in different initiatives with other cooperatives, with the main agricultural unions and sectoral associations and with the governments of each region where it operates. Together they helped small producers, whose usual sales channel were hotels, restaurants, cafés and collectives, to market their produce. As an act of solidarity, other larger suppliers channelled this surplus production to serve it through their logistical distribution to Eroski. Eroski was able to assimilate this surplus due to the peak in demand resulting from higher household consumption. This resulted, for example, in the sale of 300,000 kg of potatoes and 15,000 certified lambs, and in an increase in its supply of wines and vegetables.

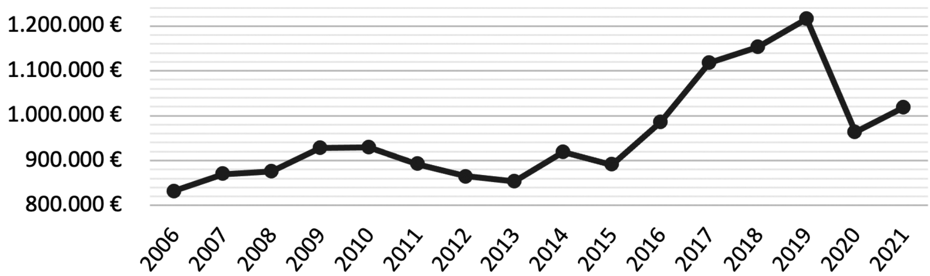
5.1.2. Collaboration with the cider sector

In 2021 Eroski had 2,500 products with certification of origin and quality, both private label and manufacturer. Eroski collaborates with the regulatory council of Basque cider PDO (Euskal Sagardoa) to enhance the value of cider and improve the until recently loss-making position of this product, by improving its price, image, quality, awareness and in-store classification. Around 2016, the cooperative and the PDO regulatory council started a 15-year strategic plan with the Basque Government to ensure that all cider production in the sector in the region would carry the PDO seal. By 2021, 25% of production was already registered as part of the PDO, with the forecast of 60% by 2026 and, finally, 100% by 2031. Eroski markets natural cider from 22 of the 48 wineries that are members of the PDO and in 2019 purchased more than one million litres of bottled natural cider from Basque Country.

Within this initiative, each year Eroski chooses, through a tasting with consumers, a winery to produce its premium private label cider, which encourages wineries to implement quality certifications, such as International Featured Standards. Eroski also collaborates with the PDO regulatory council in the development of new formats adapted to consumer needs and has promoted an innovation project between five wineries, marketing a new product exclusively in 70 stores. These initiatives usually come from the cider sector and Eroski usually carries them out in the form of a pilot project with certain wineries. If they are successful, the PDO regulatory council provides the others with all the necessary information to incorporate them into their activity.

Figure 3 shows how the historically stable trend of the average operating income of the sector members working with Eroski has, since 2016, started to grow to approximately 37% in four years (2015-2019). It is worth noting how the effects of Covid-19 are reflected in the 2020 turnover, but this does not go down to pre-2016 figures. In 2021, a recovery trend is perceived.

Figure 3. Average operating income of 10 of the 22 wineries with the Basque cider PDO seal that are working with Eroski (2006–2021)



Source: Own elaboration with data extracted from Sistema de Análisis de Balances Ibéricos (SABI, 2022).

5.1.3. Collaboration with the horticultural sector

Knowing the data on the consumption of each vegetable, in each place and season allows retailers and producers to jointly organise their production to maximise efficiency. In March 2020 Eroski allocated more than 3.3 million euro to an annual agreement for the marketing of vegetables with certification of origin and quality from 63 Basque producers, increasing its purchases of these products by 25%. In 2017 it set up a working table together with decentralised LSS, which sold their produce in specific Eroski stores, to jointly plan their production and achieve a well-balanced product range. In this way, the aim was to ensure that all the local producers supplying a centre belong to its immediate surroundings. The greater guarantees and sales of this initiative attracted more producers. Between 2018 and 2020 the cooperative led a project to improve horticultural farms' productivity in Basque Country through sustainable and collaborative diversification of new crops. Several horticultural cooperatives and the Basque Institute for Agricultural Research and Development participated in this initiative, which was co-financed by the Basque Government and the European Agricultural Fund for Rural Development. It should be noted that, by 2021, Eroski had been working with approximately 24 vegetable suppliers in Basque Country for an average of 13 years.

5.1.4. Collaboration with the dairy sector

Between 2017 and 2019 Eroski increased its sales of locally sourced dairy products by 36.17%. This could be due to various initiatives for the valorisation of these products. Since 2014 it has collaborated with artisanal cheese producers with the Idiazabal PDO seal, adding their cheeses to its premium private label range. In 2016 the cooperative entered into an agreement with an association that brings together more than 30 small livestock farms in Basque Country (Sociedad Agraria de Transformación Valle de Karrantza) to market its milk in the region under the Eroski private label and with the seal of Sustainable Dairy Product (PLS), promoted by the Spanish Ministry of Agriculture, Food and Environment. Under this agreement Eroski undertook to pay the producers a higher-than-market price. This policy was later transferred to other regions where the cooperative operates. During 2021 Eroski collaborated with HAZI Foundation for the recovery of six varieties of certified traditional Basque cheeses. In addition to this it set up a plan to allow small artisanal producers to market their cheeses in stores in their local area. In 2021 Eroski worked with approximately 60 producers from Basque Country and Navarre and marketed 189 references of locally produced cheeses, 99 of which have PDO seal. It has worked with its approximately 26 producers in Basque Country for an average of 10 years.

5.1.5. Collaboration with the meat sector

Since 2017 Eroski has collaborated with HAZI Foundation and a meat cooperative to boost the promotion and marketing of origin-certified beef. In 2019 Eroski used its premium private label, *km0*, to market this meat. Sales of meat with certification of origin in Basque Country between 2017 and 2019 have increased a 57.61% and interviewees consider that these two measures of Eroski have made an important contribution to such sales increase.

5.2. Professionalisation, Structuring and Development of LSS

There is a large number of LSS of very limited size in all sectors, which have insufficient commercial knowledge and which are incapable of matching the professionalism of their services to retail to those of large suppliers. The professionalisation of LSS when establishing contact, negotiating and selling creates synergies; it streamlines and improves processes and is key to their development and to improving retailers' perception of them. Although this professionalisation must rely mainly on the internal initiative of producers and the various sectoral associations, it must be supported by the joint initiative of retailers and institutions.

> *Many know how to make quality products but not how to sell them. With retail, if you are not professional, you are lost.*
>
> [PDO regulatory council representative]

Producers that act in an associative manner, such as cooperatives, members of PDO seals or manufacturers that group together small producers, increase their professionalism and offer buyers greater homogeneity, structure, quality, volume and logistical and financial capacity. The relationship with these groups is preferable for retailers and institutions because it increases their initiatives' *social impact radius*. In fact, some of the cooperatives participating in the study were created with the aim of bringing together their offer to Eroski.

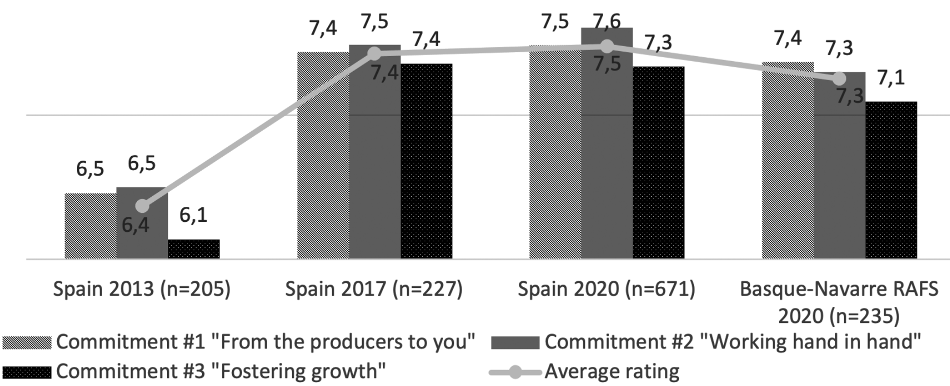
> *Working with many and small [suppliers] is the way to create a network and contribute to the development of the sector. [...] But we also try to promote the relationship with cooper-*

atives or sectoral organisations that provide structure and make it easier to reach a very atomised primary sector, such as the one in Basque Country.

[Eroski manager]

Through its initiatives, framed in the three *SME Commitments*, Eroski claims to (1) promote and enhance the value of food produced by small suppliers in their environment through a differential commercial policy; (2) maintain a direct, sustainable and long-term relationship and a bilateral flow of information with these suppliers; and (3) collaborate on plans for small suppliers' professionalisation and sustainable business growth and for the collaborative development of local agrifoods, all with invoicing and procurement adapted to LSS' needs. Figure 4 and the interviewees' testimonies reflect an improvement in the perception of LSS toward these initiatives, which are perceived as development opportunities.

Figure 4. Main results, expressed as a score from 0 to 10, of the SME supplier surveys based on SME Commitments (2013, 2017 & 2020)



Telephone survey (CATI system); Score out of 10; Regions in Total Spanish sample: Aragón, Balearic Islands, Cantabria, Galicia, La Rioja, Navarre and Basque Country (Catalonia only in 2020); Total Spain 2020 sample: participation 73.3%, sampling error ±2.3% (p = q = 50%), confidence level 95.5%; Basque Country 2020 sample: participation 67.3%, sampling error 4.92%; Navarre 2020 sample: participation 82.2%, sampling error 6.5%.
Source: Own elaboration based on the results of the SME supplier surveys provided by Eroski.

5.3. Lack of Organisational Culture Alignment

During the interviews held with the different LSS, it was noticeable that there was a clear dissatisfaction among them regarding some common retail practices. According to HAZI Foundation and the PDO regulatory council, this is due to a dissonance with the duality of Eroski's local strategy, which combines cooperative values with purely commercial approaches. From this dissonance arises a lack of alignment between the organisational cultures of LSS and retailers, which prevents the former from internalising the benefits of the aforementioned initiatives. There is also a need for retailers to adapt their requirements to their smaller suppliers' shortcomings and limitations.

> *The nature of retail is to operate in an oligopolistic, ultra-competitive market with an unbalanced value chain. [...] Margins, campaigns, offers or continuous promotion are all retailish, the language of retail. If suppliers don't understand how large-scale distribution works and start selling through this channel, they will be indignant, they will always be angry. They will think that the retailer's decisions are against them, without understanding that the retailer doesn't want to screw them, what they want is more market share.*
>
> [HAZI Foundation]

The aforementioned professionalisation of the more local primary sector would favour the alignment of organisational cultures and avoid frustrations and misunderstandings. Therefore, the importance of training and consultancy initiatives for LSS and retailers by governmental institutions is highlighted.

Basque Government's HAZI foundation supports some LSS by hiring a consultancy service to train, guide and support them in commercial matters, in the needs of retailers, in how to offer them their product and how to work to promote it. The consultancy support provided to the wineries associated with the Basque cider PDO seal is a success case and a benchmark. On the other hand, this training is also usually applied in Eroski to workers at different levels and it is complemented with visits to the suppliers' facilities. The aim is to alleviate the lack of specialisation of these workers. In addition to this, HAZI organises different forums for dialogue between the parties.

In other cases, some suppliers working on an associative basis have pooled their economic capacity to hire members with specialised knowledge of the organisational culture of retailing, sometimes former workers and managers of the retail sector.

5.4. Dependence of LSS on Retail

Eroski's large market share makes it by far the largest retailer in Basque Country and Navarre, and one of the largest in northern Spain. The largest agricultural and livestock cooperatives in the Spanish market have a turnover of one-sixth of Eroski's total turnover. Situations like this create an imbalance in the value chain, which the HAZI Foundation representative described as *stratospheric*.

> *Eroski is like an elephant asking an ant for a dance. If they start dancing, fine, but if the elephant steps on the ant, even unintentionally, there is no more ant. Sometimes Eroski does unintentional things that can destroy a small supplier, but it can also make big decisions that boost a product range or a sector.*
>
> [HAZI Foundation]

Given their great bargaining power, retailers systematically avoid signing long-term commitment documents with their suppliers beyond those related to commercial conditions. This limits the growth of LSS who, lacking financial guarantees, are reluctant to invest in new projects to meet the other party's demand due to a low perception of commitment. Added to this is the fact that, like other retailers in other contexts, Eroski represents, for the interviewed LSS, on average more than 30% of their turnover, in some cases exceeding 50%. For this reason, some LSS, that for years have improved their quality and achieved product certification hand in hand with Eroski, now need to market their products in other supermarket chains to diversify their customer portfolio and reduce dependency. This creates tensions in the relationship.

In some cases, this traction capacity of the retailer becomes an excessive dependence of the LSS. As a result, LSS try to maintain diversified customer portfolios and in some cases Eroski suffers a bout of jealousy.

[HAZI Foundation]

Another way for LSS to reduce this dependency on retail is to keep up to date in terms of certifications of origin and quality; this will make it difficult for retailers, who differentiate themselves by the certification of the products they sell, to replace LSS in the short-term. Associative production is the third way to balance the power between the parties.

There is a mutual dependency; we have no alternative. My closest substitute would not be able to offer our service from one day to the next, nor all the Basque product certificates I have. If, in an exceptional case, Eroski stopped buying my noncertified brand, I could raise the price of my certified one. We are bound to understand each other and give in.

[LSS 8]

5.5. Differential Positioning of Retail

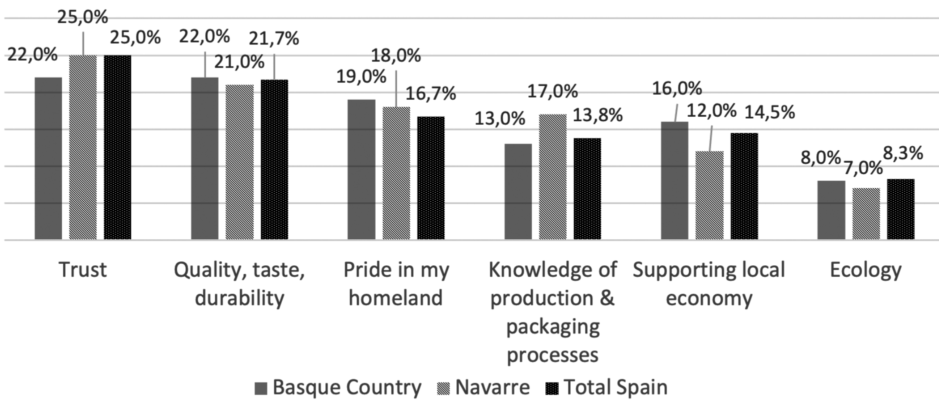
Regional sustainability attitudes are stronger between the population of the Basque-Navarre regional agrifood system than in other Spanish regions, due its historical, economic, political and cultural context and the historical role of peasants and Mondragon cooperative movement (Heiberg, 1989).

Moreover, consumer trends place local products in the spotlight as they are endowed with more beneficial associations. The results of the consumer studies carried out by Eroski since 2012 show that, although it is perceived as more expensive, consumers value local produce very positively and choose it because they link it mainly with concepts such as trust, quality, pride in their land, health, economic support for local producers and environmental sustainability (Figure 5). Consumers aspire to a totally local shopping basket, and the average basket is made up of 50% local produce.

A research conducted by the Basque Government's HAZI Foundation (2018) with a much broader sample base of 1,806 Basque consumers also place local products as a key purchase factor. According to this study, 87% of participants prefer to buy products made in their region, municipality or immediate surroundings. Consumers also link local products with other factors that highly impact on purchase decision such as quality, flavour or natural production and low environmental impact. According to the research, Basque consumers are ready to pay a higher price for local products (as extreme examples, 48% of consumers were ready to pay double for local eggs, and 71% would pay double for local tomatoes with the Eusko Label brand). Among consumers able to cite supermarket chains selling local products under their own private labels, 81% cite Eroski, while private labels of other competitors, especially those that focus their leadership on low prices are not linked to local producers (3% Mercadona, 1% Lidl).

According to a satisfaction survey carried out by the Spanish Consumers and Users Organisation (OCU, 2019), the rise of regional chains is due to the fact that, although price remains the main factor, belonging to the environment, freshness and quality are among the most important factors for consumers when choosing a supermarket.

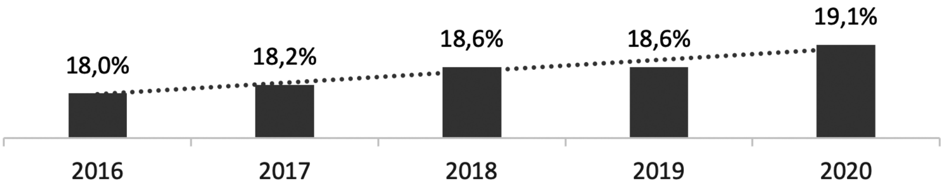
Figure 5. Reasons why consumers choose local produce



Source: Own elaboration based on an ad hoc quantitative survey conducted by Eroski in June 2020. Base: 250 cases.

The aggregate market share of Spanish regional supermarkets increased between 2016 and 2020 by 1.1 points to 19.1% (Figure 6), with a peak of 26.2% during March and April 2020. This placed them jointly as the second largest distributor in the country, which is characteristic of the Spanish distribution market compared to the rest of Europe. This growth, especially during the pandemic, was boosted by the image of physical and emotional proximity of these regional distributors and by their strong positioning in local and fresh products (Tobar, 2021).

Figure 6. Market share of regional supermarkets (2016–2020)



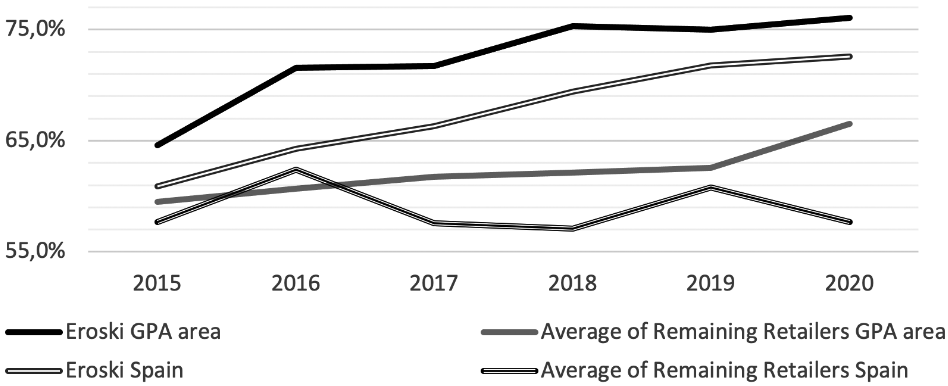
Source: Own elaboration based on Kantar data (Tobar, 2021).

In the surveys carried out by Eroski over the last few years, the value that consumers attach to organisations that promote the development and visibility of local produce can be seen. Large supermarkets are not associated with local products because they are perceived as depersonalised, due to their staff's lack of product knowledge and treatment of customers. For a brand to be perceived as local, it must adapt to the environment, adopt its traditions and promote its socioeconomic and ecological well-being; it must be close to the consumer, give them prominence and get to know them.

A 2017 survey of more than 14,596 Eroski customer members shows that they highlighted the prominence of local products within the cooperative's commercial model and recognised it as part of their identity. A 2018 survey highlights that the consumers were attracted by Eroski's support for producers in the primary sector and its role in channelling the work of institutions to generate wealth and maintain employment. Finally, a 2020 survey of 1,835 consumers shows that Eroski had a higher local positioning than its competitors, and this was even greater in its area of greatest presence and activity (GPA) (Figure 7).

This scenario makes Eroski's local positioning a beneficial differential strategy that allowed it to keep its market share at 4.8% between 2019 and 2020, even during the toughest period of the pandemic when other powerful operators suffered sharp declines in their market share of more than 1% (Kantar, 2021). The trend in Eroski's sales of local products in Basque Country is also increasing year on year, with growth of 14.5% in the first half of 2020.

Figure 7. Consumer perception of the variety of local food that brands supply and its boost to the local economy



Eroski GPA area sample (Basque Country, Navarre, La Rioja, Cantabria) = 895; Spanish sample = 1,835; CATI interview with an average duration of 17–18 min; Sampling error = ±2.1%; Confidence level = 95%; p = q = 50%; Adaptation of usual questionnaire in perception tracking, with funnel block; 35 positioning attributes and socio-demographic block.
Source: Own elaboration based on data provided by Eroski.

5.6. Increased Costs and Management Complexity for Retail

Although Eroski claims to be working on the relationship with its LSS by adopting new approaches that enable greater mutual profitability and value chain optimisation, it should be pointed out that this positioning entails a higher cost for the cooperative. This is because working with a large number of suppliers in a sector as fragmented as the primary sector requires greater management complexity, a greater need for personnel to maintain a close relationship with the LSS and a loss of efficiency. This higher cost can translate into a commercially unattractive increase in the selling price to the consumer. Even so, Eroski points out that this is how they differentiate themselves vis-à-vis consumers.

> The differential relationship we have with a small supplier is not the same as with a large one. [...] We do not sit down with a small village cheesemaker in the same way as with a large manufacturer; we do not have the same objectives and we are committed to helping the supplier, accompanying them and making them grow. [...] In the main regions where we operate, we have a department with specific people who work on this area and adapt the commercial dynamics to the relationship with the small supplier. [...] Not concentrating purchases in one supplier and relying on many small local producers is the most in-

efficient thing in the world, and operations such as pooling purchasing or logistics are infinitely more complicated. [...] It is more expensive, but it is the basis of our differentiation. [Eroski manager]

6. Discussion and conclusions

In line with the main objective stated, this paper is a contribution to the literature on the creation, consolidation and promotion of local agrifood systems because it focuses on the role of large supermarket chains in the supply-side, something that previous research has scarcely addressed. Data and perceptions provided by the retail sector are presented, which permit a novel and unconventional analysis, given the difficulty of accessing them on a regular basis.

Following its first research question, the paper deepens the knowledge of the so-called three-tier intercooperation between Eroski, the public administrations and local agrifood producers, which has been key to promoting the local agrifood system in the Basque and Navarre regions. This three-tier intercooperation also helps the growth, professionalisation and consolidation of territorially based agricultural structures, particularly agricultural cooperatives. The study analyses various successful initiatives to valorise, promote and market local products. These initiatives have led to achievements for small local producers that all the interviewed agents agree would have been impossible to achieve with traditional two-way cooperation between public administrations and LSS. These alleged advantages include a sustained and significant growth in the LSS' sales, less sensitivity to market fluctuations and an improvement in their professionalism (in terms of product homogeneity, quality and safety or logistical and financial capacity).

Thanks to its extensive knowledge of consumer trends and its oligopolistic power, retail has an ability to drive supply by increasing demand. It is therefore important for local agrifood system governments to reach agreements with retailers to indirectly stimulate production, a method that has been judged by our interviewees to be more effective than direct subsidies. In this regard, it is important to mention the two-tier traction technique, which consists of achieving sectoral growth together with the dominant LSS and then helping to grow the more micro LSS that join this sectoral growth.

Regarding to the analysed supermarket chain, the Eroski cooperative, the promotion of the local agricultural system is a practical application of the *intercooperation* and *social transformation* cooperative principles, but it also responds to their strategy of differentiation from their competitors with a greater supply of local produce in the different Spanish regions where it operates. In this way, Eroski succeeds in being able to work through and around the contradiction between cooperative social values and the drive for profit pursued by business (Filippi, 2014).

Commitment to local products and the development of local agrifood systems entails additional retail costs, but it also brings benefits. In the case of Eroski, there is evidence that its consumers value very positively the company's commitment to local products and link it to various elements that strengthen the company's differentiation (quality, pride in its land, health, economic support for local producers and environmental sustainability). The improvement of LSS economies of scale may lead to a lowering of the prices of local products and the access to them by a broader base of consumers. Nevertheless, a focus on healthier and higher quality local products without harming the sustainability of LSS means higher costs for Eroski than for competitors focused on cost leadership. Coordination costs with different local producers in the regions of Spain where Eroski operates also increase costs and reduce scale economies. Thus, Eroski's policy comes at the risk of losing consumers that rank price first. According to HAZI (2018), 35% of consumers make their purchase decisions based primarily on price. Given recent inflation crisis, actual percentage of consumers whose main purchase decision is based on price has probably increased and other retailers with a greater focus on costs may attract consumers that would like to buy local products but can't pay their price. Besides, those lower income consumers would be the least benefited from public spending on fostering LSS, as it happens with public policies that encourage consumption of healthier but more costly food (Waterlander et al., 2018).

Fulfilling its second research question, this paper identifies a problem of cultural alignment between the parties and presents a series of key lessons for public administrations, LSS and retailers that want to promote local agrifood systems through intercooperation. We recommend to endeavour to align the members' organisational cultures. Some testimonies from the LSS illustrate their lack of knowledge of the retail culture and their difficulty in internalising the different commercial management tools that retailers use with large producers and try to replicate with smaller ones. The need for retail to listen to and understand the demands and processes of its LSS also emerges. This lack of cultural alignment is especially highlighted by public administration representatives who mediate between retailers and LSS and provide the latter with consultants who have experience in large-scale retailing. This denotes a greater capacity to perceive this situation from a third-party position. Both retailers and LSS should develop initiatives to align their organisational cultures, with the support of the different public institutions and producers' associations. One measure that facilitates this alignment and fluid communication is for LSS to recruit managers with previous retail experience and vice versa. In fact, the Eroski Group President for the last decade has a past linked to the agricultural cooperative movement and two of the interviewed LSS managers previously held positions of responsibility in Eroski.

It also finds that intercooperation between retailers and LSS for the creation of local agrifood systems is not risk-free. The LSS studied in the case study have been growing for an average of 20 years through intercooperation with Eroski, in some cases for more than 35 years. Although these close and long-standing relationships may indicate commitment and trust between the parties, they involve high levels of dependency on the LSS' part, which in some cases concentrates more than 50% of their turnover in Eroski. The LSS' logical desire to diversify risks and sell part of their production to other supermarket chains may clash with the logical misgivings of the retailer, which has for decades collaborated in the LSS' growth, professionalisation and consolidation. Some interviewees, both from LSS and the public administration, propose solutions to these conflicts, such as the establishment of a more strategic approach to the retailer–LSS relationship, with meetings focused on joint discussions about growth objectives or even the signing of long-term supply contracts. In addition to this, LSS are encouraged to obtain distinctive quality certifications that increase their inherent low power position, their attractiveness to other retailers and their buyer's switching cost. In addition, certification can be a way for suppliers to learn about buyers' expectations and requirements (Sucky & Durst, 2013) and thus contribute to the alignment of organisational cultures.

Finally, we find that retailers prefer to cooperate with LSS who work in a partnership, as a cooperative or under quality brands. Although this may imply a decrease in their bargaining power, it allows a retailer to extend their initiatives to cover more LSS, thus achieving greater local agrifood system development. These producers partnering to intercooperate with the retailers share know-how and resources to make greater investments and create joint activities; they reinforce their predisposition to work with higher quality standards and achieve greater professionalisation and alignment of organisational cultures with retailers.

Eroski's strategy in its relationship with the LSS in the Basque–Navarre regional agrifood system is the same, in an adapted form, as that used in the rest of Spain's territories. The findings drawn from this experience are from a specific case of study and should not be generalised to other distribution chain relationships in other socioeconomic, political, or territorial context. However, they can serve as a lesson for large retailers, operating in regions with weak agrifood systems who, driven by consumer trends, want to give prominence to their local positioning as a differentiation strategy; for LSS who want to expand their product sales to large supermarkets in a sustainable way; and for governments and public institutions that seek to implement public policies for the territorial development of their local agrifood systems.

In addition to the supply-side approach, this study includes views from various value chain stakeholders and brings a relational, intercooperative and long-term view to the approaches in the literature on local agrifood systems. This research addresses, in an exploratory and qualitative approach, the relationship between supermarket chains and other actors, such as small local producers or territorial governments. On this basis, future research could expand this literature with new research that provides an econometric dimension to the role of these relationships in the growth and consolidation of local agrifood systems. The kinds of power relations between LSS, retailers and consumers should also be deeper considered in further research. The socioeconomic consequences of these LAFS support policies for the general population and their influence according to the income level of individuals could also be explored in greater depth.

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