The former Companhia Vale do Rio Doce announced in the middle of this week that its executive board will propose to the board of directors the payment of the second installment of minimum remuneration to shareholders in 2014, in the amount of 2.1 billion dollars (the equivalent of more than five billion reais at the exchange rate of the day, since the announcement was made in US dollars and not in the national currency).

The company is thus fulfilling what it promised to do in the announcement to the market on January 30 of this year. If the proposal is approved, the total remuneration to shareholders by the end of this fiscal year will be US$ 4.2 billion (or more than R$ 10 billion). This is because Vale has already paid the first installment of the minimum remuneration, as of April 30.

There was therefore no surprise. But the market was groaning. Analysts were pleased with the fulfillment of the commitment, but they fear that the mining company’s standard remuneration, which usually offers additional dividends each year, will be maintained in the medium and long term.

BTG Pactual said that the big issue is the dividends for 2015. In an interview with the newspaper Valor Econômico, a source from the bank said that, with low iron ore prices, Vale “will still have to deal with a cash flow that is not very flexible for next year.” Analysts seem to suspect that the era of additional dividends has come to an end, or at least will not be practiced in 2016 and perhaps in the following years.

The problem is that investors have become accustomed to paying dividends above the company’s mandatory remuneration, which is 25% of net income. Last year, dividends reached US$4.5 billion, a considerable amount, but lower than the US$6 billion in 2012 and the US$9 billion in 2011.

This amount is a record in nominal terms. But between 2001 and 2005, with the real appreciating, Vale distributed US$4.4 billion in dividends, allowing its shareholders to earn 200% during this period. A share, which was worth one thousand dollars in 2001, was already trading at US$3 thousand in 2005. In 2005, it was the company that distributed the most dividends in the world. This obsession with distributing extra income intensified the financial mentality within a mining company. The effect was this greed for remuneration.

Seeking to contain part of this impetus, without, however, affecting the value of its shares, Vale’s management guaranteed that it will not increase its debt to distribute income. At the same time, it ensures that it will immunize itself against the negative effects of the fall in the price of its main product with the quality of its ore, which will keep it above the current US$80 per ton.

Based on these data, some analysts believe it is unlikely that the company will be able to repeat the distribution of US$4.2 billion in 2015, with revenues of US$14 billion (without financial costs), with iron ore at US$80 per ton and US$11.7 billion in investments.

Goldman Sachs reported to the São Paulo newspaper its estimate of a distribution of US$3 billion, but increasing the net debt from US$24 billion to US$27.9 billion. In Goldman’s view, the sale of assets and lower investment could allow the distribution of US$3 billion in 2015 and keep the debt stable.

Vale pays the same amount for common shares (with voting rights) and preferred shares (with priority to receive dividends). The company will only stop distributing 25% of its net profit if its board of directors informs, during the shareholders’ meeting, that the distribution is not advisable due to the company’s financial situation.

Although its main base for iron ore exports is Pará, which has displaced the previously dominant axis of the South of the country, these issues, of great interest to the State, are not discussed by its residents, who in theory own the mineral wealth exploited by the company under the concession regime by the government. And without the knowledge, not even in theory, of the authors of this story.