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"DIVIDENDS"

One of the largest of American industrial firms has recently announced a change in dividend policy. This firm, E. I. Du Pont de Nemours & Company, began in March the policy of declaring individual, or interim, dividends during the year, depending on the conditions prevailing at the particular time rather than declare what have come to be regarded as regular quarterly dividends.

In announcing the change the company stated: "Heretofore the Company has followed the conventional practice in this country and has paid dividends on its common stock at a more or less uniform rate. It has endeavored to maintain this constant rate of distribution until a change seemed advisable because of a marked shift in economic or business trend. These distributions have been supplemented, from time to time, by 'extra' dividends.

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The magazine is sent to all stockholders of Marsman managed properties and to all staff members of the companies associated with the Marsman interests.

NOTE: All ore values, bullion figures, etc., given in this magazine are expressed in pesos based on gold at $35.00 an ounce and silver at the market price. Figures given in monthly reports are based on mine assays, and may differ to some extent from final mint or smelter returns.

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"DIVIDENDS"

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"The company has decided that there are important objections to this policy and, further, that it is subject to some misunderstanding on the part of the stockholders and the investing public.

"One objection, from the standpoint of the corporation management has been that the board of directors, in the interest of uniformity, has felt somewhat constrained to maintain the uniform dividend rate at times when the company's financial position or the current economic conditions warranted a change in the rate.

"Further, the stockholders as well as the investing public have been encouraged by this practice to expect this uniform rate to maintain more or less permanently.The earnings on a common stock rise and fall with the current trend in the fortunes of the company and current business conditions and the management feels that the dividend distribution should reflect such changes position.

"The practice followed to date has had the further objection in that the so-called 'extra' dividend has been misinterpreted in some quarters as representing a distribution of unexpected or immoderate earnings, whereas, in fact the 'extra' dividend has been paid to make a total distribution, in combination with the uniform quarterly dividends, consistent with the earnings of the company, and its general financial position."

The situation confronting Du Pont is similar to that which faces mining companies the world over. In addition, however, to the ordinary risks of operation which an industrial concern such as Du Pont must meet, mining companies offer even more problems. The profits of a mining company are controlled by many varying factors. Production is affected by underground conditions which often are misunderstood. The monthly output of a mine may decrease because an area of lower grade ore has been encountered; rather than abandon such ore, it is good judgement to work it, even though the profits are lowered for a time.

Heavy cash outlays are often required for the expansion of mining and milling operations. Climatic conditions, such as the severe typhoons which occur here occasionally, frequently cause a drop in production which in no way means that the ultimate value of the mine is lessened.

Stockholders in mining companies should not expect regular fixed dividends. Often mining companies do pay such dividends, because of an established precedent, and in so doing handicap their future activities.

Because a mining company does not pay regular quarterly dividends does not mean that it is not a paying proposition. Often a delay in dividends means simply that the officials of the company are carrying out plans which will ultimately benefit the stockholders far more than any premature dividends. As earnings of a mining company do become properly available for dividends they should be promptly distributed.