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KELLOGG CO
Form 11-K
June 26, 2003

FORM 11-K

ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2002

COMMISSION FILE NUMBER 1-4171

THE KELLOGG COMPANY SAVINGS AND INVESTMENT PLAN
(Full Title of the Plan)

KELLOGG COMPANY
(Name of Issuer)

ONE KELLOGG SQUARE
BATTLE CREEK, MICHIGAN 49016-3599
(Principal Executive Office)

KELLOGG COMPANY
SAVINGS AND INVESTMENT PLAN
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FOR THE YEAR ENDED DECEMBER 31, 2002 AND
THE TWO MONTHS ENDED DECEMBER 31, 2001

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Note: Other schedules required by Section 2520.103-10 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act ("ERISA") of 1974 have been

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omitted because they are not applicable.

REPORT OF INDEPENDENT AUDITORS

To the Trustees and Participants of the
Kellogg Company Savings
and Investment Plan

In our opinion, the accompanying statements of net assets available for benefits and the related statements of changes in net assets available for benefits present fairly, in all material respects, the net assets available for benefits of the Kellogg Company Savings and Investment Plan (the "Plan") at December 31, 2002 and 2001, and the changes in net assets available for benefits for the year ended December 31, 2002 and the two months ended December 31, 2001, in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Plan's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedule of assets (held at end of year) is presented for the purpose of additional analysis and is not a required part of the basic financial statements but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. This supplemental schedule is the responsibility of the Plan's management. The supplemental schedule has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Battle Creek, Michigan

June 13, 2003

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KELLOGG COMPANY
SAVINGS AND INVESTMENT PLAN
STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS
DECEMBER 31, 2002 AND DECEMBER 31, 2001

	2002	2001
ASSETS		
Receivables		
Employer contributions	\$ 250,457	\$ 5,232
Employee contributions		16,789
Interest		617
	-----	-----
Total receivables	250,457	22,638
	-----	-----
Amount due from prior trustee (Note 1)	123,031	
Investments		
Plan's interest in Master Trust	623,841,143	435,700,450
Loans to participants	9,558,982	3,979,077
	-----	-----
Total investments	633,400,125	439,679,527
	-----	-----
Total assets	633,773,613	439,702,165
	-----	-----
LIABILITIES		
Investment services fees	39,862	31,947
Amount due Plan sponsor	13,895	
	-----	-----
Total liabilities	53,757	31,947
	-----	-----
Net assets available for benefits	\$ 633,719,856	\$439,670,218
	=====	=====

See accompanying notes to financial statements

KELLOGG COMPANY
SAVINGS AND INVESTMENT PLAN
STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

FOR THE YEAR	FOR THE
ENDED	TWO MONTHS
DECEMBER 31, 2002	ENDED
	DECEMBER 31, 2001

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Contributions		
Employer	\$ 11,097,348	\$ 985,836
Employee	26,857,382	2,518,237
Rollovers from other qualified plans	706,859	83,244
	-----	-----
Total contributions	38,661,589	3,587,317
	-----	-----
Earnings on Investments		
Plan's interest in income (loss) of Master Trust	(16,962,167)	13,995,253
Interest income	455,408	57,679
Trustee fees	(101,776)	(15,820)
Administrative fees	(758,799)	(84,494)
	-----	-----
Total (loss) earnings on investments, net	(17,367,334)	13,952,618
	-----	-----
Participant withdrawals	(45,045,121)	(7,504,442)
Net transfers between Plans	457,387	
Transfers from prior trustees	217,343,117	
	-----	-----
Net increase	194,049,638	10,035,493
Net assets available for benefits at beginning of year	439,670,218	429,634,725
	-----	-----
Net assets available for benefits at end of year	\$ 633,719,856	\$439,670,218
	=====	=====

See accompanying notes to financial statements

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KELLOGG COMPANY SAVINGS AND INVESTMENT PLAN NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2002 AND 2001

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The Plan operates as a qualified defined contribution plan and was established under Section 401(k) of the Internal Revenue Code. The accounts of the Plan are maintained on the accrual basis. Expenses of administration are paid by the Plan.

CHANGE IN PLAN YEAR

On November 1, 2001, the Kellogg Company Savings and Investment Plan ("the Plan") was amended, resulting in a change in the Plan's year end to December 31. Previously, the Plan year began on November 1 and ended on October 31. As such, the Plan reported on a short Plan year for the two months ended December 31, 2001.

PLAN MERGERS

On March 1, 2002, the Worthington Foods, Inc. 401(k) Profit Sharing Plan merged with the Plan. Plan assets of \$1,624,593 consisting primarily of participant investment balances and participant loans receivable were transferred to the Plan on March 1, 2002.

On March 28, 2002, the Mondo Baking 401(k) Plan merged with the Plan. Plan

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assets of \$3,410,229 consisting primarily of participant investment balances and participant loan receivables were transferred to the Plan on March 28, 2002.

On April 29, 2002, the Keebler Puerto Rico 401(k) Savings Plan merged with the Plan. Plan assets of \$99,470 consisting primarily of participant investment balances were transferred to the Plan on April 29, 2002.

On June 28, 2002, the Keebler Company Salaried Savings Plan merged with the Plan. Plan assets of \$183,562,777 consisting primarily of participant investment balances and participant loan receivables were transferred to the Plan on June 28, 2002.

On June 28, 2002, the Keebler Company Union Savings Plan merged with the Plan. Plan assets of \$19,687,050 consisting primarily of participant investment balances and participant loan receivables were transferred to the Plan on June 28, 2002.

On June 28, 2002, the Keebler Company Savings Plan for Hourly Associates of Cary Bakery merged with the Plan. Net plan assets of \$8,958,998 consisting primarily of participant investment balances and participant loan receivables were transferred to the Plan on June 28, 2002.

INVESTMENTS

All investments are reported at current quoted market values except for guaranteed insurance contracts, which are reported at contract value and represent contributions made plus interest at the contract rate. These contracts are maintained in the Stable Value Fund of the Kellogg Company Master Trust.

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KELLOGG COMPANY
SAVINGS AND INVESTMENT PLAN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001

The Plan presents in the statement of changes in net assets available for benefits the Plan's interest in income of Master Trust, which consists primarily of the realized gains or losses on the fair value of the Master Trust investments and the unrealized appreciation (depreciation) on those investments.

EMPLOYER CONTRIBUTIONS RECEIVABLE

Substantially all of the employer contributions receivable relate to employer matching contributions and related investment earnings, earned throughout the year, but which were unpaid by the Plan sponsor at year end.

AMOUNT DUE FROM PRIOR TRUSTEE

Amount due from prior trustee represents a receivable from the former trustee of the Keebler Company Savings Plan for Hourly Associates of Cary Bakery that was unpaid at December 31, 2002.

ALLOCATION OF NET INVESTMENT INCOME TO PARTICIPANTS

Net investment income is allocated to participant accounts daily, in proportion to their respective ownership on that day.

RISKS AND UNCERTAINTIES

The Plan provides for various investment options in several investment

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securities. Investment securities are exposed to various risks, such as interest rate, market and credit. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible the changes in risk in the near term would materially affect participants' account balances and the amounts reported in the statement of net assets available for benefits and the statement of changes in net assets available for benefits.

USE OF ESTIMATES IN THE PREPARATION OF FINANCIAL STATEMENTS

The preparation of financial statements in conformity with generally accepted accounting principles requires the Plan's management to make estimates and assumptions that affect the reported amounts of net assets available for benefits at the date of the financial statements and changes in net assets available for benefits during the reporting period. Actual results could differ from those estimates.

2. PROVISIONS OF THE PLAN

PLAN ADMINISTRATION

The Plan is administered by the ERISA Finance Committee and the ERISA Administrative Committee appointed by Kellogg Company.

PLAN PARTICIPATION

Generally, all salaried employees of Kellogg Company and its U.S. subsidiaries, employees of the Company's Worthington Foods subsidiary covered by a collective bargaining agreement, employees of the Company's Cary Bakery facility covered by a collective bargaining agreement and employees of the Company's Keebler subsidiary covered by a collective bargaining agreement are eligible to participate in the Plan.

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KELLOGG COMPANY

SAVINGS AND INVESTMENT PLAN

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2002 AND 2001

Subject to limitations prescribed by the Internal Revenue Service, participants may elect to contribute from 1 percent to 50 percent of their annual wages. Total deferrals in any taxable year may not exceed \$11,000 (or \$10,500 in 2001). As of January 1, 2002, employee contributions are matched by Kellogg Company at a 100 percent rate on the first 3 percent and a 50 percent rate on the next 2 percent, with 12.5 percent of the Company match restricted for investment in the Kellogg Company stock fund, except for employees of certain Company facilities covered by a collective bargaining agreement. Please refer to the Plan document for additional information. Employees may contribute to the Plan from their date of hire; however, the monthly contributions are not matched by the Company until the participant has completed one year of service.

Participants of the Plan may elect to invest the contributions to their accounts as well as their account balances in various equity, bond, fixed income or Kellogg Company stock funds or a combination thereof in multiples of one percent.

VESTING

Participant account balances are fully vested.

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PARTICIPANT LOANS

Participants may borrow from their fund accounts a minimum of \$1,000 up to a maximum equal to the lesser of \$50,000 or 50% of their account balance. Participants may have only one loan outstanding at any time. Loan transactions are treated as transfers between the Loan fund and the other funds. Loan terms range from 12 to 60 months, except for principal residence loans, which must be repaid within 15 years (or 180 months). Interest is paid at a constant rate equal to one percent over the prime rate in the month the loan begins. Principal and interest are paid ratably through monthly payroll deductions. Loans that are considered to be uncollectible at year end result in the outstanding principal being considered a hardship withdrawal from the participant's plan account.

PARTICIPANT DISTRIBUTIONS

Participants may request an in-service withdrawal of all or a portion of certain types of contributions, under standard in-service withdrawal rules. The withdrawal of any participant contributions which were not previously subject to income tax is restricted by Internal Revenue Service regulations.

Participants who terminate employment before retirement, by reasons other than death or disability, may remain in the Plan or receive payment of their account balances in a lump sum or installment payments, and certain accounts retain an annuity payment right. If the account balance is \$5,000 or less, the terminated participant will receive the account balance in a lump sum.

Participants are eligible to retire from the Company at age 62, upon reaching 55 with 20 years of service, or after 30 years of service. Upon retirement, disability, or death, a participant's account balance may be received in a lump sum or installment payments.

TERMINATION

While the Company has expressed no intentions to do so, the Plan may be terminated at any time. In the event of termination of the Plan, the account of each participant will be fully vested.

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KELLOGG COMPANY
SAVINGS AND INVESTMENT PLAN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001

3. INCOME TAX STATUS

The Plan administrator has received a favorable letter from the Internal Revenue Service dated November 19, 1997 regarding the Plan's qualification under applicable income tax regulations as an entity exempt from federal income taxes. The Plan has been amended since receiving the determination letter. The Plan administrator believes the Plan is designed and is currently being operated in compliance with the applicable requirements of the Internal Revenue Code. The Plan was submitted to the IRS in February, 2002 for the purpose of requesting a favorable determination letter as to its on-going tax-qualified status.

4. KELLOGG COMPANY MASTER TRUST

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The Plan has an undivided interest in the net assets held in the Kellogg Company Master Trust in which interests are determined on the basis of cumulative funds specifically contributed on behalf of the Plan adjusted for an allocation of income. Such income allocation is based on the Plan's funds available for investment during the year.

Kellogg Company Master Trust net assets at December 31, 2002 and 2001 and the changes in net assets for the year ended December 31, 2002 and the two months ended December 31, 2001 are as follows:

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KELLOGG COMPANY
SAVINGS AND INVESTMENT PLAN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001

4. KELLOGG COMPANY MASTER TRUST

SCHEDULE OF NET ASSETS AND LIABILITIES OF MASTER TRUST INVESTMENT
ACCOUNTS

	2002	2001
Cash/Equivalents		
Interest bearing cash	\$ 21,986,590	\$ 20,27
	-----	-----
Total cash/equivalents	21,986,590	20,27
	-----	-----
Receivables	2,227,281	3,26
	-----	-----
General Investments		
Long Term U.S. Gov't Securities	21,757,942	13,15
Short Term U.S. Gov't Securities	19,216,568	4,09
Corporate Debt - Long Term	4,944,928	11,24
Corporate Debt - Short Term	7,262,014	3,41
Corporate Stocks - Common	95,922,038	88,36
Commingled Funds	164,020,605	181,91
Shares of Registered Investment Company	100,512,901	79,62
Guaranteed Investment Contracts	674,814,554	524,25
	-----	-----
Total Investments	1,088,451,550	906,08
	-----	-----
Total investments	1,112,665,421	929,61
	-----	-----
Payables		
Unsettled trades	(6,909,233)	(40
	-----	-----
Total liabilities	(6,909,233)	(40
	-----	-----
Net assets	\$ 1,105,756,188	\$ 929,20
	=====	=====
Percentage interest held by the Plan	56.4%	

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KELLOGG COMPANY
SAVINGS AND INVESTMENT PLAN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2002 AND 2001

4. KELLOGG COMPANY MASTER TRUST

SCHEDULE OF CHANGES IN NET ASSETS AND LIABILITIES OF MASTER TRUST INVESTMENT ACCOUNTS

FOR THE YEAR
ENDED
DECEMBER 31, 2002

Transfers from prior Trustees	\$ 211,752,913
Earnings on investments	
Interest	34,075,591
Dividends	7,584,737
Net realized gain (loss)	(14,486,361)

Total additions	238,926,880

Net transfer of assets out of investment account	(25,570,131)
Fees and commissions	(543,969)

Total distributions	(26,114,100)

Change in unrealized appreciation (depreciation)	(36,262,450)

Net change in assets	176,550,330
Net assets at beginning of year	929,205,858

Net assets at end of year	\$1,105,756,188
	=====

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KELLOGG COMPANY
SAVINGS AND INVESTMENT PLAN
SCHEDULE OF ASSETS (HELD AT END OF YEAR)
DECEMBER 31, 2002

SCHEDULE I

(A)	(B)	(C)
	IDENTITY OF ISSUE, BORROWER, LESSOR OR SIMILAR PARTY	DESCRIPTION OF INVESTMENT INCLUDING MATURITY DATE, RATE OF INTEREST, COLLATERAL, PAR OR MATURITY VALUE
	Loans to participants (interest rate of 5.25% to 13.69%)	

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the trustees (or other persons who administer the employee benefit plan) have duly caused this annual report to be signed on its behalf by the undersigned hereunto duly authorized.

Date: June 26, 2003

The Kellogg Company Savings and Investment Plan

By: /s/ John A. Bryant

John A. Bryant
Executive Vice President and Chief
Financial Officer, Kellogg Company

INDEX TO EXHIBITS TO FORM 11-K

EXHIBIT NUMBER

DESCRIPTION OF DOCUMENT

23	Consent of Independent Auditors.
99.1	Section 906 Certification by John Bryant.
99.2	Section 906 Certification by Carlos Gutierrez.