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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 - BAKERY, CONFECTIONERY, TOBACCO WORKERS  
AND GRAIN MILLERS 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  
BAKERY, CONFECTIONERY, TOBACCO WORKERS AND GRAIN MILLERS  
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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Labor's Rules and Regulations for Reporting and Disclosure under the  
Employee Retirement Income Security Act ("ERISA") of 1974 have been  
omitted because they are not applicable.

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## REPORT OF INDEPENDENT AUDITORS

To the Trustees and Participants of the  
Kellogg Company Bakery, Confectionery,  
Tobacco Workers and Grain Millers 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 Bakery, Confectionery, Tobacco Workers and Grain Millers 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  
BAKERY, CONFECTIONERY, TOBACCO WORKERS AND GRAIN MILLERS  
SAVINGS AND INVESTMENT PLAN  
STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS  
DECEMBER 31, 2002 AND DECEMBER 31, 2001

|                        | 2002 | 2001      |
|------------------------|------|-----------|
| ASSETS                 |      |           |
| Receivables            |      |           |
| Employer contributions | \$ - | \$ 72,905 |

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|                                   |               |               |
|-----------------------------------|---------------|---------------|
| Employee contributions            |               | 179,221       |
| Interest                          |               | 8,018         |
|                                   | -----         | -----         |
| Total receivables                 | -             | 260,144       |
|                                   | -----         | -----         |
| Investments                       |               |               |
| Plan's interest in Master Trust   | 481,915,045   | 493,505,408   |
| Loans to participants             | 6,893,580     | 7,002,483     |
|                                   | -----         | -----         |
| Total investments                 | 488,808,625   | 500,507,891   |
|                                   | -----         | -----         |
| Total assets                      | 488,808,625   | 500,768,035   |
|                                   | -----         | -----         |
| LIABILITIES                       |               |               |
| Accrued investment service fees   | 27,765        | 34,459        |
|                                   | -----         | -----         |
| Total liabilities                 | 27,765        | 34,459        |
|                                   | -----         | -----         |
| Net assets available for benefits | \$488,780,860 | \$500,733,576 |
|                                   | =====         | =====         |

See accompanying notes to financial statements

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KELLOGG COMPANY  
 BAKERY, CONFECTIONERY, TOBACCO WORKERS AND GRAIN MILLERS  
 SAVINGS AND INVESTMENT PLAN  
 STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

|  | FOR THE YEAR<br>ENDED<br>DECEMBER 31, 2002 | FOR THE<br>TWO MONTHS<br>ENDED<br>DECEMBER 31, 2001 |
|--|--|---|
| Contributions  |  |   |
| Employer   | \$ 4,879,653                               | \$ 814,470  |
| Employee   | 12,131,802                                 | 2,007,008   |
| Rollovers from other qualified plans                   | 849,629                                    |   |
|  | -----                                      | -----   |
| Total contributions                                    | 17,861,084                                 | 2,821,478   |
|  | -----                                      | -----   |
| Earnings on Investments                                |  |   |
| Plan's interest in income of Master Trust              | 6,827,742                                  | 11,641,598  |
| Interest income  | 521,872                                    | 84,336  |
| Trustee fees   | (89,648)                                   | (21,070)  |
|  | -----                                      | -----   |
| Total earnings on investments, net                     | 7,259,966                                  | 11,704,864  |
|  | -----                                      | -----   |
| Participant withdrawals                                | (36,616,379)                               | (7,960,760)   |
| Net transfers between Plans                            | (457,387)                                  |   |
|  | -----                                      | -----   |
| Net increase (decrease)                                | (11,952,716)                               | 6,565,582   |
| Net assets available for benefits at beginning of year | 500,733,576                                | 494,167,994   |
|  | -----                                      | -----   |
| Net assets available for benefits at end of year       | \$ 488,780,860                             | \$ 500,733,576                                      |

See accompanying notes to financial statements

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KELLOGG COMPANY  
BAKERY, CONFECTIONERY, TOBACCO WORKERS AND GRAIN MILLERS  
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 sponsor, Kellogg Company.

CHANGE IN PLAN YEAR

On November 1, 2001, the Kellogg Company Bakery, Confectionery, Tobacco Workers and Grain Millers 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.

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.

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.

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 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

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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 trustees appointed by Kellogg and employees represented by the Bakery, Confectionery, Tobacco Workers and Grain Millers Union.

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KELLOGG COMPANY  
BAKERY, CONFECTIONERY, TOBACCO WORKERS AND GRAIN MILLERS  
SAVINGS AND INVESTMENT PLAN  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001

#### PLAN PARTICIPATION AND CONTRIBUTION

Generally, all Kellogg Company hourly employees belonging to the Bakery, Confectionery, Tobacco Workers and Grain Millers Union Local Nos. 3-G, 50-G, 252-G, 274-G and 401-G are eligible to participate in the Plan.

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). Until September 29, 2002, employee contributions not exceeding 5 percent of wages were matched by Kellogg Company at an 80 percent rate, with 12.5 percent of the Company match restricted for investment in the Kellogg Company stock fund. Effective September 29, 2002 employee contributions are matched by Kellogg Company at a 100% 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. 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.

#### 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. 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

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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. If the account balance is \$5,000 or less, the terminated participant will receive the account balance in a lump sum or installment payments. 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.

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KELLOGG COMPANY  
BAKERY, CONFECTIONERY, TOBACCO WORKERS AND GRAIN MILLERS  
SAVINGS AND INVESTMENT PLAN  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001

### 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.

### 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 non-qualified status.

### 4. KELLOGG COMPANY MASTER TRUST

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  
 BAKERY, CONFECTIONERY, TOBACCO WORKERS AND GRAIN MILLERS  
 SAVINGS AND INVESTMENT PLAN  
 NOTES TO FINANCIAL STATEMENTS  
 DECEMBER 31, 2002 AND 2001

### 4. KELLOGG COMPANY MASTER TRUST

#### SCHEDULE OF ASSETS AND LIABILITIES FOR MASTER TRUST INVESTMENT ACCOUNTS

|   | 2002             | 2001           |
|---|------------------|----------------|
| Cash/Equivalents                        |                  |                |
| Interest bearing cash                   | \$ 21,986,590    | \$ 20,270,332  |
|   | -----            | -----          |
| Total cash/equivalents                  | 21,986,590       | 20,270,332     |
|   | -----            | -----          |
| Receivables                             | 2,227,281        | 3,264,407      |
|   | -----            | -----          |
| General Investments                     |                  |                |
| Long Term U.S. Gov't Securities         | 21,757,942       | 13,158,671     |
| Short Term U.S. Gov't Securities        | 19,216,568       | 4,099,850      |
| Corporate Debt - Long Term              | 4,944,928        | 11,246,043     |
| Corporate Debt - Short Term             | 7,262,014        | 3,415,615      |
| Corporate Stocks - Common               | 95,922,038       | 88,363,576     |
| Commingled Funds                        | 164,020,605      | 181,917,720    |
| Shares of Registered Investment Company | 100,512,901      | 79,622,761     |
| Guaranteed Investment Contracts         | 674,814,554      | 524,256,792    |
|   | -----            | -----          |
| Total Investments                       | 1,088,451,550    | 906,081,028    |
|   | -----            | -----          |
| Total investments                       | 1,112,665,421    | 929,615,767    |
|   | -----            | -----          |
| Payables                                |                  |                |
| Unsettled trades                        | (6,909,233)      | (409,909)      |
|   | -----            | -----          |
| Total liabilities                       | (6,909,233)      | (409,909)      |
|   | -----            | -----          |
| Net assets                              | \$ 1,105,756,188 | \$ 929,205,858 |
|   | =====            | =====          |
| Percentage interest held by the Plan    | 43.6%            | 53.1%          |

KELLOGG COMPANY  
 BAKERY, CONFECTIONERY, TOBACCO WORKERS AND GRAIN MILLERS  
 SAVINGS AND INVESTMENT PLAN  
 NOTES TO FINANCIAL STATEMENTS  
 DECEMBER 31, 2002 AND 2001

### 4. KELLOGG COMPANY MASTER TRUST

#### SCHEDULE OF CHANGES IN NET ASSETS OF MASTER TRUST INVESTMENT ACCOUNTS

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|  | FOR THE YEAR<br>ENDED<br>DECEMBER 31, 2002 | FOR THE<br>TWO MONTHS ENDED<br>DECEMBER 31, 2001 |
|--|--|--|
| Transfers from prior Trustees                    | \$ 211,752,913                             | \$ -   |
| Earnings on investments                          |  |  |
| Interest   | 34,075,591                                 | 5,560,100  |
| Dividends  | 7,584,737                                  | 2,021,123  |
| Net realized gain (loss)                         | (14,486,361)                               | 4,938,051  |
|  | -----                                      | -----  |
| Total additions                                  | 238,926,880                                | 12,519,274                                       |
|  | -----                                      | -----  |
| Net transfer of assets out of investment account | (25,570,131)                               | (8,573,355)                                      |
| Fees and commissions                             | (543,969)                                  | (82,194)   |
|  | -----                                      | -----  |
| Total distributions                              | (26,114,100)                               | (8,655,549)                                      |
|  | -----                                      | -----  |
| Change in unrealized appreciation (depreciation) | (36,262,450)                               | 13,125,161                                       |
|  | -----                                      | -----  |
| Net change in assets                             | 176,550,330                                | 16,988,886                                       |
| Net assets at beginning of year                  | 929,205,858                                | 912,216,972                                      |
|  | -----                                      | -----  |
| Net assets at end of year                        | \$ 1,105,756,188                           | \$ 929,205,858                                   |
|  | =====                                      | =====  |

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KELLOGG COMPANY  
 BAKERY, CONFECTIONERY, TOBACCO WORKERS AND GRAIN MILLERS  
 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%)

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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.



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Date: June 26, 2003

The Kellogg Company - Bakery, Confectionery,  
Tobacco Workers and Grain Millers 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. |