KELLOGG CO
Form 11-K
June 28, 2004

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 11-K

ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2003

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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December 31, 2003 and 2002

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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 omitted because they are not applicable.

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Report of Independent Registered Public Accounting Firm

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, 2003 and 2002, and the changes in net assets available for benefits for the years then ended, 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 the standards of the Public Company Accounting Oversight Board (United States) and auditing standards generally accepted in the United States of America. Those standards 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.

/s/ PricewaterhouseCoopers LLP

Battle Creek, Michigan
May 17, 2004

Kellogg Company
Savings and Investment Plan
Statement of Net Assets Available for Benefits
December 31, 2003 and 2002

	2003	2002
Assets		
Receivables		

Employee contributions	$ -	$ 250,457
Total receivables	-	250,457
Amount due from prior trustee (Note 1)	-	123,031
Investments		
Plan's interest in Master Trust	714,742,615	623,841,143
Loans to participants	10,799,720	9,558,982
Total investments	725,542,335	633,400,125
Total assets	725,542,335	633,773,613
Liabilities		
Investment services fees	24,017	39,862
Amount due Plan sponsor	-	13,895
Total liabilities	24,017	53,757
Net assets available for benefits	$ 725,518,318	$ 633,719,856

The accompanying notes are an integral part of these financial statements.

Kellogg Company
Savings and Investment Plan
Statement of Changes in Net Assets Available for Benefits
December 31, 2003 and 2002

	2003	2002
Contributions		
Employer	$ 14,584,793	$ 11,09
Employee	37,157,751	26,85
Employee rollovers	1,703,776	70
Total contributions	53,446,320	38,66
Earnings on Investments		
Plan's interest in income (loss) of Master Trust	88,858,491	(16,96
Interest income	619,747	45
Trustee fees	(98,181)	(10
Administrative fees	(1,175,414)	(75
Total earnings (loss) on investments, net	88,204,643	(17,36
Participant withdrawals	(49,851,165)	(45,04
Net transfers between Plans	-	45
Transfers to/from prior trustees (Note 1)	(1,336)	217,34
Net increase	91,798,462	194,04
Net assets available for benefits		

Beginning of year	633,719,856	439,67
End of year	$ 725,518,318	$ 633,71

The accompanying notes are an integral part of these financial statements.

Kellogg Company
Savings and Investment Plan
Notes to Financial Statements
December 31, 2003 and 2002

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.

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 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.

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 through the year, but which were unpaid by the Plan sponsor at year end.

Amount Due from Prior Trustee
At December 31, 2002 amount due from prior trustee represents a receivable from the former trustee of the Keebler Company Savings Plan for Hourly Associates of Cary Bakery.

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 accounting principles generally accepted in the United States of America 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

The following description of the Kellogg Company Savings and Investment Plan (the "Plan") is provided for general information purposes only. Participants should refer to the plan document for a more comprehensive description of the Plan's provisions.

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.

Subject to limitations prescribed by the Internal Revenue Service, participants may elect to contribute from 1 percent to 50 percent of their annual wages. Participents were eligible to defer $12,000 in 2003 and $11,000 in 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.

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. 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.

3. Income Tax Status

The Plan administrator has received a favorable letter from the Internal Revenue Service dated March 18, 2004 regarding the Plan's qualification under applicable income tax regulations. The Plan has been amended since the last 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.

4. Subsequent Event

On January 1, 2004 the Keebler Company Local 184-L 401(k) Plan and Trust merged with the Plan. Plan assets of $2,395,447 consisting primarily of participant investment balances were transferred to the Plan on January 1, 2004. As of January 1, 2004 participants of the Keebler Company Local 184-L 401(k) Plan and Trust were eligible to participate in the Kellogg Company Savings and Investment Plan subject to the same provisions as the Keebler Company Local 184-L 401(k) Plan and Trust.

5. 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, 2003 and 2002 and the changes in net assets for the years ended December 31, 2003 and December 31, 2002 are as follows:

Schedule of Net Assets of Master Trust Investment Accounts

	2003	2002
Cash/equivalents		
Interest bearing cash	$ 12,791,710	$ 21,986,590
Total cash/equivalents	12,791,710	21,986,590
Receivables	1,888,051	2,227,281
General Investments		
Long Term U.S. Gov't Securities	19,060,041	21,757,942
Short Term U.S. Gov't Securities	5,793,346	19,216,568
Corporate Debt - Long-Term	21,930,624	4,944,928
Corporate Debt - Short-Term	3,665,846	7,262,014
Corporate Stocks - Common	84,130,906	95,922,038
Commingled Funds	200,998,048	164,020,605
Shares of Registered Investment Company	207,592,300	100,512,901
Guaranteed Investment Contracts	664,410,052	674,814,554
Total general investments	1,207,581,163	1,088,451,550

Total investments	1,222,260,924	1,112,665,421
Payables		
Unsettled trades	(167,091)	(6,909,233)
Total liabilities	(167,091)	(6,909,233)
Net assets	$ 1,222,093,833	$ 1,105,756,188
Percentage interest held by the Plan	58.5%	56.4%

Schedule of Changes in Net Assets of Master Trust Investment Accounts

	2003	2002
Transfers from prior Trustees	$ -	$ 211,752,913
Earnings on investments		
Interest	32,450,775	34,075,591
Dividends	9,152,649	7,584,737
Net realized gain (loss)	2,385,239	(14,486,361)
Total additions	43,988,663	238,926,880
Net transfer of assets out of investment account	(20,635,134)	(25,570,131)
Fees and commissions	(611,058)	(543,969)
Total distributions	(21,246,192)	(26,114,100)
Change in unrealized appreciation (depreciation)	93,595,174	(36,262,450)
Net change in assets	116,337,645	176,550,330
Net assets at beginning of year	1,105,756,188	929,205,858
Net assets at end of year	$ 1,222,093,833	$ 1,105,756,188

Schedule H, Line 4i
Schedule of Assets (Held at End of Year)
December 31, 2003

Schedule I

(a)	(b) Identity of Issuer, Borrower, Lessor or Similar Party	(c) 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 18, 2004

The Kellogg Company Savings and Investment Plan

By: /s/ Jeffrey M. Boromisa

Jeffrey M. Boromisa
Senior Vice President and Chief
Financial Officer, Kellogg Company

INDEX TO EXHIBITS TO FORM 11-K

EXHIBIT NUMBER	DESCRIPTION OF DOCUMENT
23	Consent of Independent Registered Public Accounting Firm