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KELLOGG CO
Form 11-K
April 29, 2002

FORM 11-K

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

ANNUAL REPORT

PURSUANT TO SECTION 15(D) OF THE SECURITIES
EXCHANGE ACT OF 1934
FOR FISCAL YEAR ENDED OCTOBER 31, 2001
COMMISSION FILE NUMBER 1-4171

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

INDEX TO FINANCIAL STATEMENTS AND ADDITIONAL INFORMATION

REPORT OF INDEPENDENT ACCOUNTANTS

FINANCIAL STATEMENTS AS OF OCTOBER 31, 2001
AND 2000 AND FOR THE YEARS THEN ENDED:

Statement of net assets available for benefits

Statement of changes in net assets available for benefits

Notes to financial statements

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ADDITIONAL INFORMATION:

Schedule of assets (held at end of year) - October 31, 2001

Schedule of reportable transactions - Year Ended October 31, 2001

REPORT OF INDEPENDENT ACCOUNTANTS

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 October 31, 2001 and 2000, 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 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 schedules of assets held for investment purposes and reportable transactions are presented for the purpose of additional analysis and are not a required part of the basic financial statements but are 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. These supplemental schedules are the responsibility of the Plan's management. The supplemental schedules have been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

PricewaterhouseCoopers LLP

Battle Creek, Michigan
April 5, 2002

KELLOGG COMPANY
 BAKERY, CONFECTIONERY, TOBACCO WORKERS AND GRAIN MILLERS
 SAVINGS AND INVESTMENT PLAN

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STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS

| | OCTOBER 31, | |
|-----------------------------------|---------------|---------------|
| | 2001 | 2000 |
| ASSETS: | | |
| Receivables: | | |
| Employer contributions | \$ 88,754 | \$ -- |
| Employee contributions | 222,118 | |
| Interest | 13,126 | |
| | ----- | ----- |
| Total receivables | 323,998 | -- |
| | ----- | ----- |
| Investments: | | |
| Plan's interest in Master Trust | 486,712,927 | 516,813,560 |
| Loans to participants | 7,162,379 | 7,563,150 |
| | ----- | ----- |
| Total investments | 493,875,306 | 524,376,710 |
| | ----- | ----- |
| Total assets | 494,199,304 | 524,376,710 |
| | ----- | ----- |
| LIABILITIES: | | |
| Benefits payable | | 35,897 |
| Investment services fees | 31,310 | 33,007 |
| | ----- | ----- |
| Total liabilities | 31,310 | 68,904 |
| | ----- | ----- |
| Net assets available for benefits | \$494,167,994 | \$524,307,806 |
| | ===== | ===== |

See accompanying notes to financial statements

KELLOGG COMPANY
 BAKERY, CONFECTIONERY, TOBACCO WORKERS AND GRAIN MILLERS
 SAVINGS AND INVESTMENT PLAN

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STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

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| | OCTOBER 31, | |
|--|----------------|---------------|
| | 2001 | 2000 |
| CONTRIBUTIONS: | | |
| Employer | \$ 4,986,894 | \$ 4,894,755 |
| Employee | 12,415,157 | 12,436,819 |
| Rollovers from other qualified plans | 1,638 | 6,273 |
| | ----- | ----- |
| Total contributions | 17,403,689 | 17,337,847 |
| | ----- | ----- |
| Earnings on Investments: | | |
| Plan's interest in (loss) income of Master Trust | (595,177) | 8,107,125 |
| Interest income | 636,509 | 609,780 |
| Trustee fees | (102,563) | (57,571) |
| | ----- | ----- |
| Total (loss) earnings on investments, net | (61,231) | 8,659,334 |
| | ----- | ----- |
| Participant withdrawals | (47,389,010) | (143,521,421) |
| Net transfers between Plans | (93,260) | |
| | ----- | ----- |
| Net decrease | (30,139,812) | (117,524,240) |
| Net assets available for benefits at beginning of year | 524,307,806 | 641,832,046 |
| | ----- | ----- |
| Net assets available for benefits at end of year | \$ 494,167,994 | 524,307,806 |
| | ===== | ===== |

See accompanying notes to financial statements

KELLOGG COMPANY
 BAKERY, CONFECTIONERY, TOBACCO WORKERS AND GRAIN MILLERS
 SAVINGS AND INVESTMENT PLAN

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NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The Kellogg Company Bakery, Confectionery, Tobacco Workers and Grain Millers Savings and Investment Plan ("the Plan") operates as a qualified defined contribution plan and was established under Section 401(k) of the Internal Revenue Code. Through October 31, 1999, the Plan was named the Kellogg Company Grain Millers Savings and Investment Plan. On November 1, 1999, the Plan name was amended to be the Kellogg Company Bakery, Confectionery, Tobacco Workers and Grain Millers Savings and Investment

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Plan. The accounts of the Plan are maintained on the accrual basis. Expenses of administration are paid by Kellogg Company.

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 net appreciation (depreciation) in the fair value of its investments which consists of the realized gains or losses 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.

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

KELLOGG COMPANY
BAKERY, CONFECTIONERY, TOBACCO WORKERS AND GRAIN MILLERS
SAVINGS AND INVESTMENT PLAN

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NOTES TO FINANCIAL STATEMENTS

2. PROVISIONS OF THE PLAN (CONTINUED)

PLAN PARTICIPATION

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 21 percent of their annual wages. Total deferrals in any taxable year may not exceed \$10,500. Employee contributions not exceeding 5 percent of wages are 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.

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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. Following is a summary of the Plan's investment options:

The BOND INDEX FUND invests only in top-rated securities, as well as certain mortgage-backed securities to compensate for yield. This fund seeks to meet or exceed the total return of the Lehman Brothers Government/Corporate Bond Index, a standard benchmark for this type of fund.

The STABLE VALUE FUND invests primarily in investment contracts issued by a diversified group of insurance companies and other financial institutions. This fund seeks to provide a generally steady level of current income, plus stability of principal.

The U.S. EQUITY INDEX FUND buys and holds securities in the same capitalization weight ratio as they appear in the S&P 500 Index. Securities are traded only when there is contribution or redemption activity, a change in the composition of the S&P 500 Index or the receipt of dividend income.

The KELLOGG COMPANY STOCK FUND provides returns in the form of dividend income and stock price changes. Return is based solely on the Company's stock performance.

The LARGE COMPANY EQUITY FUND is a value-oriented growth and income fund. The fund seeks investment opportunities in U.S. common stocks that are not overly recommended and are considered to be good values.

The SMALL COMPANY EQUITY FUND invests primarily in common stocks of small, rapidly growing U.S. companies. The fund seeks to provide long-term growth of capital and income by investing in U.S.-based equity securities.

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BAKERY, CONFECTIONERY, TOBACCO WORKERS AND GRAIN MILLERS
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NOTES TO FINANCIAL STATEMENTS

2. PROVISIONS OF THE PLAN (CONTINUED)

The INTERNATIONAL EQUITY FUND invests in common and preferred stocks, convertibles, American Depositary Receipts, Global Depositary Receipts, bonds (generally rated "A" or better), government securities, nonconvertible preferred stocks, and cash. At least 65% of assets will be invested in issuers in Europe or the Pacific Basin.

The CONSERVATIVE PRE-MIXED FUND is a combination of the Fixed Income Fund (10%), the Bond Index Fund (50%), the U.S. Equity Index Fund (20%), the International Equity Fund (10%) and the Small Company Equity Fund (10%).

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The AGGRESSIVE PRE-MIXED FUND is a combination of the U.S. Equity Index Fund (25%), the Large Company Equity Fund (25%), the International Equity Fund (20%) and the Small Company Equity Fund (30%).

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

Participants may elect to withdraw all or a portion of their contributions made after October 31, 1978, plus related net investment income. The withdrawal of any participant contributions which were not previously subject to income tax is restricted by Internal Revenue Service regulations. Under certain circumstances and subject to approval by the Trustees, participants may request withdrawal of a portion of Company contributions and their own contributions made prior to November 1, 1978, including net investment income thereon.

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 less than \$5,000, 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.

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BAKERY, CONFECTIONERY, TOBACCO WORKERS AND GRAIN MILLERS
SAVINGS AND INVESTMENT PLAN

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NOTES TO FINANCIAL STATEMENTS

2. PROVISIONS OF THE PLAN (CONTINUED)

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

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The Plan administrator has received a favorable letter from the Internal Revenue Service dated November 25, 1996 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. However, 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. KELLOGG COMPANY MASTER TRUST

Through May 31, 2001, assets of the Plan have been combined for investment purposes with assets of the Kellogg Company Savings and Investment Plan and Kellogg Company sponsored pension plans in the Kellogg Company Master Trust. On June 1, 2001, the assets of the Kellogg Company sponsored pension plans were transferred from the Kellogg Company Master Trust to the Kellogg Company Master Retirement 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 October 31, 2001 and 2000 and the changes in net assets for the periods then ended are as follows:

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 BAKERY, CONFECTIONERY, TOBACCO WORKERS AND GRAIN MILLERS
 SAVINGS AND INVESTMENT PLAN

NOTES TO FINANCIAL STATEMENTS

4. KELLOGG COMPANY MASTER TRUST (CONTINUED)

KELLOGG COMPANY MASTER TRUST
 SCHEDULE OF ASSETS AND LIABILITIES FOR MASTER TRUST INVESTMENT ACCOUNTS

| | PENSION PLANS | | SAVINGS & INVESTMENT PLANS | |
|----------------------------------|---------------|-------------|----------------------------|-----------|
| | 10/31/01 | 10/31/00 | 10/31/01 | 10/31/00 |
| | ----- | ----- | ----- | ----- |
| CASH/EQUIVALENTS: | | | | |
| Non-Interest Bearing | \$0 | \$0 | \$0 | \$190,78 |
| Interest Bearing Cash | | 23,743 | \$15,268,851 | 472,62 |
| | ----- | ----- | ----- | ----- |
| TOTAL CASH/EQUIVALENTS | | 23,743 | 15,268,851 | 663,41 |
| | ----- | ----- | ----- | ----- |
| RECEIVABLES | | 39,320,271 | 2,472,616 | 3,323,84 |
| | ----- | ----- | ----- | ----- |
| GENERAL INVESTMENTS: | | | | |
| Long Term U.S. Gov't Securities | | 194,205,671 | 20,021,549 | 10,019,27 |
| Short Term U.S. Gov't Securities | | (28,334) | 2,077,233 | |
| Corporate Debt - Long Term | | 100,421,709 | 10,902,625 | 6,747,69 |
| Corporate Debt - Short Term | | | 2,758,280 | |
| Corporate Stocks - Preferred | | 902,900 | | |
| Corporate Stocks - Convertible | | 1,060,539 | | |

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| | | | |
|--------------------------------------|-------------------|---------------|---------------|
| Corporate Stocks - Common | 651,736,336 | 334,188,529 | 454,948,111 |
| Real Estate Pooled Funds | 7,654,432 | | |
| Value of Interest in Pooled Funds | 24,333,746 | | 14,015,541 |
| Guaranteed Investment Contracts | | 531,282,331 | 499,923,161 |
| TOTAL INVESTMENTS | 980,286,999 | 901,230,547 | 985,653,783 |
| TOTAL ASSETS | 1,019,631,013 | 918,972,014 | 989,641,044 |
| PAYABLES | | | |
| Unsettled Trades | (138,538,930) | (6,755,042) | (347,071) |
| Investment Service Fees | (983,952) | | |
| TOTAL LIABILITIES | (139,522,882) | (6,755,042) | (347,071) |
| NET ASSETS | \$0 \$880,108,131 | \$912,216,972 | \$989,293,963 |
| Percentage Interest held by the Plan | | 53.4% | 52.2% |

KELLOGG COMPANY
 BAKERY, CONFECTIONERY, TOBACCO WORKERS AND GRAIN MILLERS
 SAVINGS AND INVESTMENT PLAN

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NOTES TO FINANCIAL STATEMENTS

4. KELLOGG COMPANY MASTER TRUST (CONTINUED)

KELLOGG COMPANY MASTER TRUST
 SCHEDULE OF INCOME AND EXPENSES, CHANGES IN NET ASSETS
 AND NET INCREASE (DECREASE) IN NET ASSETS OF MASTER TRUST INVESTMENT ACCOUNTS

| | Pension Plans | | Savings & Investment Plans | |
|------------------------------|---------------|--------------|----------------------------|---------------|
| | 10/31/01 | 10/31/00 | 10/31/01 | 10/31/00 |
| Transfer of Assets Into | | | | |
| Investment Account | \$36,648,054 | \$43,770,563 | \$714,055,873 | \$634,660,118 |
| Earnings on Investments | | | | |
| Interest | 8,833,924 | 13,452,506 | 32,788,527 | 34,233,989 |
| Dividends | 2,952,001 | 4,332,396 | 4,335,875 | 4,300,646 |
| Corporate Actions | | 247,797 | | |
| Pooled Fund Income | 221,702 | 471,987 | | |
| Miscellaneous | (97,541) | (57,530) | | (3) |
| Net Realized Gain/(Loss) | 32,433,806 | 75,156,499 | (7,923,772) | 23,830,925 |
| TOTAL ADDITIONS | 80,991,946 | 137,374,218 | 743,256,503 | 697,025,675 |
| Transfer of Assets Out of | | | | |
| Investment Account | (68,736,883) | (98,028,663) | (771,745,394) | (800,395,482) |
| Fees and Commissions | (909,924) | (3,257,254) | (502,897) | (541,627) |
| Transfers to Kellogg Company | | | | |

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| | | | | |
|-----------------------------------|---------------|---------------|---------------|---------------|
| Master Retirement Trust | (839,885,857) | | | |
| TOTAL DISTRIBUTIONS | (909,532,664) | (101,285,917) | (772,248,291) | (800,937,109) |
| Change in Unrealized Appreciation | (51,567,413) | (34,599,231) | (48,085,205) | (45,648,925) |
| NET CHANGE IN ASSETS | (880,108,131) | 1,489,070 | (77,076,993) | (149,560,359) |
| Net Assets at Beginning of Year | 880,108,131 | 878,619,061 | 989,293,965 | 1,138,854,324 |
| Net Assets at End of Year | \$0 | \$880,108,131 | \$912,216,972 | \$989,293,965 |

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 BAKERY, CONFECTIONERY, TOBACCO WORKERS AND GRAIN MILLERS
 SAVINGS AND INVESTMENT PLAN

SCHEDULE OF ASSETS (HELD AT END OF YEAR) - OCTOBER 31, 2001

| SECURITY DESCRIPTION | COST | MARKET VALUE |
|-----------------------|------|--------------|
| Loans to participants | \$ - | \$7,162,379 |

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 BAKERY, CONFECTIONERY, TOBACCO WORKERS AND GRAIN MILLERS
 SAVINGS AND INVESTMENT PLAN

SCHEDULE OF REPORTABLE TRANSACTIONS - YEAR ENDED OCTOBER 31, 2001

| IDENTITY OF ISSUE | CURRENT VALUE AT TRANSACTION DATE | | COST OF SECURITIES SOLD | NET REALIZED GAIN |
|-------------------|-----------------------------------|-----------------|-------------------------|-------------------|
| | NET PURCHASE PRICE | NET SALES PRICE | | |
| None | | | | |

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: April 29, 2002

Bakery, Confectionery, Tobacco Workers
and Grain Millers
Savings and Investment Plan

/s/ John Bryant

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

| EXHIBIT | | PAGE |
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