KELLOGG CO
Form 11-K
June 29, 2006

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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, 2005
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
Index

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.

Exhibits

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Report of Independent Registered Public Accounting Firm

To the Participants and Administrator 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, 2005 and 2004, 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). 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.

Battle Creek, Michigan
June 16, 2006

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Kellogg Company
Bakery, Confectionery, Tobacco Workers and Grain Millers
Savings and Investment Plan
Statement of Net Assets Available for Benefits
as of December 31, 2005 and 2004

	2005	2004
Assets		
Plan s interest in Master Trust (Note 4)	$ 511,210,318	$ 517,222,487
Loans to participants	6,899,002	6,477,038
Total assets	518,109,320	523,699,525
Liabilities		
Accrued investment services fees	61,322	75,861
Total liabilities	61,322	75,861
Net assets available for benefits	$ 518,047,998	$ 523,623,664

The accompanying notes are an integral part of these 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 Years Ended December 31, 2005 and 2004

	2005	2004
Contributions		
Employer	$ 5,369,852	$ 5,082,726
Employee	14,023,350	12,835,419
Rollovers from other qualified plans	953,685	593,801
Total contributions	20,346,887	18,511,946
Earnings on Investments		
Plan s interest in income of Master Trust (Note 4)	21,212,233	36,097,353
Interest income	356,181	348,766
Redemption fees	(46,660)	(62,360)
Total earnings on investments, net	21,521,754	36,383,759
Participant withdrawals	(47,458,846)	(45,033,992)
Trustee fees	14,539	(142,900)
Net increase/(decrease)	(5,575,666)	9,718,813
Net assets available for benefits		
Beginning of year	523,623,664	513,904,851
End of year	$ 518,047,998	$ 523,623,664

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

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Kellogg Company
Bakery, Confectionery, Tobacco Workers and Grain Millers
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Notes to Financial Statements
December 31, 2005 and 2004 and
for the Years Ended December 31, 2005 and 2004

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. The accounts of the Plan are maintained on the accrual basis. Expenses of administration are paid by the Plan sponsor, 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 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 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 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.

Kellogg Company
Bakery, Confectionery, Tobacco Workers and Grain Millers
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for the Years Ended December 31, 2005 and 2004

Plan Administration

The following description of the Plan is administered by trustees appointed by Kellogg and employees represented by the Bakery, Confectionery, Tobacco Workers and Grain Millers Union.

Redemption Fees

Effective August 16, 2004 the Plan began charging a 2 percent redemption fee for transfers and/or reallocations of units that have been in a fund for less than five business days. Fees collected are used to help offset trustee expenses.

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. Participants were eligible to defer $14,000 in 2005 and $13,000 in 2004. 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, 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

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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 $1,000 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 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

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, 2005 and 2004 and the changes in net assets for the years ended December 31, 2005 and December 31, 2004 are as follows:

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for the Years Ended December 31, 2005 and 2004

Kellogg Company Master Trust
Schedule of Net Assets of Master Trust Investment Accounts

	2005	2004
Cash/equivalents		
Interest bearing cash	$ 13,672,373	$ 15,615,882
Total cash/equivalents	13,672,373	15,615,882
Receivables	893,621	1,116,271
General Investments		
Long Term U.S. Govt. Securities	17,245,904	15,322,171
Short Term U.S. Govt. Securities	16,279,545	9,591,890
Corporate Debt Long-Term	8,198,000	12,813,238
Corporate Debt Short-Term	8,960,891	6,537,040
Corporate Stocks Kellogg Company Common Stock	127,144,034	113,775,950
Commingled Funds	200,780,541	212,891,676
Shares of Registered Investment Company	317,499,870	282,032,008
Guaranteed Insurance Contracts	633,675,888	634,279,171
Long Term Government Bonds International	836,553	1,575,196
Short Term Government Bonds International	2,082,500	1,629,354
Short Term International Corporate Bonds	716,700	
Total general investments	1,333,420,426	1,290,447,694
Total investments	1,347,986,420	1,307,179,847
Payables		
Other payables	(356,673)	(175,924)
Unsettled Trades	(589,880)	
Total liabilities	(946,553)	(175,924)
Net Assets	$ 1,347,039,867	$ 1,307,003,923
Percentage interest held by the Plan	38.0%	39.6%

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Kellogg Company Master Trust
Schedule of Changes in Net Assets of Master Trust Investment Accounts

	2005	2004
Transfer of assets from Keebler Company Local 184-L 401(k) Plan	$	$ 2,395,447
Transfer of assets from Mountain Top 401(k) Plan	1,420,446	
Earnings on investments		
Interest	31,565,638	30,552,802
Dividends	7,598,087	6,366,300
Net realized gain (loss)		
Kellogg Company Common Stock	5,252,512	11,044,446
Commingled Funds	6,640,105	6,076,947
Corporate Debt Short Term	17,462	(72,165)
Corporate Debt Long Term	4,875	(34,712)
US Govt. Securities Short Term	(133,374)	(149,346)
US Govt. Securities Long Term	54,678	73,635
International Bond Short Term	(35,071)	(17,903)
International Bond Long Term	(1,165)	(7,706)
Shares of Registered Investment Co.	27,772,797	17,980,537
Net realized gain	39,572,819	34,893,733
Total additions	80,156,990	74,208,282
Net transfer of assets out of investment account	(26,515,304)	(20,477,691)
Fees and commissions	(599,986)	(597,515)
Total distributions	(27,115,290)	(21,075,206)
Change in unrealized appreciation (depreciation):		
Kellogg Company Common Stock	(9,157,055)	3,571,974
Commingled Funds	2,724,158	15,082,158
Corporate Debt Short Term	(330,761)	3,115
Corporate Debt Long Term	(117,444)	(213,582)
US Govt. Securities Short Term	(288,436)	56,750
US Govt. Securities Long Term	(165,279)	(295,908)
International Bond Long Term	(7,866)	(67,929)
Shares of Registered Investment Co.	(5,558,416)	13,640,436
International Bond Short Term	(104,657)	
Changes in unrealized appreciation	(13,005,756)	31,777,014
Net change in assets	40,035,944	84,910,090
Net assets		
Beginning of year	1,307,003,923	1,222,093,833

End of year	$ 1,347,039,867	$ 1,307,003,923

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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)
as of December 31, 2005 **Schedule I**

(a)	(b) Identity of Issue, Borrower, Lessor or Similar Party	(c) Description of Investment Including Maturity Date, Rate of Interest, Collateral, Par or Maturity Value	(e) Current Value
	Loans to participants (interest rate of 5.00% to 10.00%)		$6,899,002

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

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 29, 2006

The Kellogg Company Bakery, Confectionery, Tobacco Workers and Grain Millers Savings and Investment Plan

By /s/ Jeffrey M. Boromisa

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

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EXHIBIT INDEX

EXHIBIT NO.	DESCRIPTION
EX-23	Consent of Independent Registered Public Accounting Firm