FORM 10-K

Annual report pursuant to section 13 and 15(d)

Filing Date: **1999-03-26** | Period of Report: **1998-12-31**
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FILER

KELLOGG CO

CIP:**55067**| IRS No.: **380710690** | State of Incorp.:**DE** | Fiscal Year End: **1231**
Type: **10-K** | Act: **34** | File No.: **001-04171** | Film No.: **99573598**
SIC: **2040** Grain mill products

Mailing Address
ONE KELLOGG SQUARE
P O BOX 3599
BATTLE CREEK MI
49016-3599

Business Address
ONE KELLOGG SQ
P O BOX 3599
BATTLE CREEK MI
49016-3599
6169612000

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE FISCAL YEAR ENDED DECEMBER 31, 1998

COMMISSION FILE NUMBER 1-4171

KELLOGG COMPANY
(Exact Name of Registrant as Specified in its Charter)

<TABLE>
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DELAWARE	38-0710690
State of Incorporation	I.R.S. Employer Identification No.

</TABLE>

ONE KELLOGG SQUARE
BATTLE CREEK, MICHIGAN 49016-3599
(Address of Principal Executive Offices)

REGISTRANT'S TELEPHONE NUMBER: (616) 961-2000

Securities registered pursuant to Section 12(b) of the Act:

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Title of each class:	Name of each exchange on which registered:
COMMON STOCK, $0.25 PAR VALUE PER SHARE	NEW YORK STOCK EXCHANGE

</TABLE>

Securities registered pursuant to Section 12(g) of the Act: NONE

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [ ]

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [ ]

The aggregate market value of the common stock held by non-affiliates of the registrant (assuming only for purposes of this computation that directors and executive officers may be affiliates) was $8,225,111,147 as determined by the March 1, 1999 closing price of $37.75 for one share of common stock on the New York Stock Exchange.

As of March 1, 1999, 405,090,425 shares of the common stock of the registrant were issued and outstanding.

Portions of the registrant's Annual Report to Stockholders for the fiscal year ended December 31, 1998, are incorporated by reference into Part I, II, and Part IV of this Report.

Portions of the registrant's definitive Proxy Statement, dated March 12, 1999, for the Annual Meeting of Stockholders to be held April 23, 1999, are incorporated by reference into Part III of this Report.

PART I

ITEM 1. BUSINESS

The Company. Kellogg Company, incorporated in Delaware in 1922, and its subsidiaries are engaged in the manufacture and marketing of ready-to-eat cereal and other grain-based convenience food products on a worldwide basis. The address of the principal business office of Kellogg Company is One Kellogg Square, P.O. Box 3599, Battle Creek, Michigan 49016-3599. Unless otherwise indicated by the context, the term "Company" as used in this report means Kellogg Company, its divisions and subsidiaries.

Financial Information About Segments. The information called for by this Item is incorporated herein by reference from Note 13 to the Consolidated Financial Statements on pages 31 and 32 of the Company's Annual Report.

Principal Products. The principal products of the Company are ready-to-eat cereals and other convenience food products which are manufactured in 20 countries and distributed in more than 160 countries. The Company's products are generally marketed under the KELLOGG'S(R) name and are sold principally to the grocery trade through direct sales forces for resale to consumers. The Company uses broker and distribution arrangements for certain products as well as in less developed market areas. Additional information pertaining to the relative sales of ready-to-eat cereals and the Company's other convenience food products is found in Note 13 to the Consolidated Financial Statements on pages 31 and 32 of the Company's Annual Report.

Other Convenience Food Products. In the United States and Canada, in addition to ready-to-eat cereals, the Company produces and distributes toaster pastries, bagels, frozen waffles, crispy marshmallow squares, and cereal bars. The Company also markets these and other convenience food products in various locations throughout the world.

Raw Materials. Agricultural commodities are the principal raw materials used in the Company's products. World supplies and prices of such commodities are constantly monitored, as are government trade policies. The cost of raw materials may fluctuate widely due to government policy and regulation, weather conditions, or other unforeseen circumstances. Continuous efforts are made to maintain and improve the qualities and supplies of raw materials for purposes of the Company's short-term and long-term requirements.

The principal ingredients in the products produced by the Company in the United States include corn grits, oats, rice, various fruits, sweeteners, wheat, and wheat derivatives. Ingredients are purchased principally from sources in the United States. In producing toaster pastries, bagels, frozen waffles, and cereal bars, the Company may use flour, shortening, sweeteners, dairy products, eggs, fruit, and other filling ingredients, which ingredients are obtained from various sources. Although the Company enters into some long-term contracts, the bulk of such raw materials are purchased on the open market. While the cost of raw materials may increase over time, the Company believes that it will be able to purchase an adequate supply of such raw materials as needed. The Company also uses commodity futures and options to hedge some of its raw material costs. Refer to Note 11 to the Consolidated Financial Statements contained in the Company's Annual Report on page 30.

Raw materials and packaging needed for internationally based operations are available in adequate supply and are sometimes imported from countries other than those where used in manufacture.

Cereal processing ovens at major domestic and international facilities are regularly fueled by natural gas or propane obtained from local utilities or other local suppliers. Short-term standby propane storage exists at several plants for use in the event of interruption in natural gas supplies. Additionally, oil may be used to fuel certain plant operations in the event of natural gas shortages at various plants or when its use presents economic advantages.

Trademarks and Technology. Generally, the Company's products are marketed under trademarks owned by the Company. The Company's principal trademarks are its housemark, brand names, slogans, and designs related to cereals and other convenience food products manufactured and marketed by the Company. These

trademarks include Kellogg's(R), for cereals and other products of the Company and the brand names of certain ready-to-eat cereals, including All-Bran(R), Kellogg's Squares(TM), Apple Jacks(R), Apple Raisin Crisp(R), Apple Cinnamon Rice Krispies(R), Bran Buds(R), Complete(R) Bran Flakes, Cocoa Krispies(R), Common Sense(R), Cruncheroos(R), Kellogg's Corn Flakes(R), Cracklin' Oat Bran(R), Kellogg's(R) Cinnamon Mini-Buns, Crispix(R), Double Dip Crunch(R), Froot Loops(R), Kellogg's Frosted Bran(R), Kellogg's Frosted Flakes(R), Frosted Krispies(R), Frosted Mini-Wheats(R), Fruitful Bran(R), Fruity Marshmallow Krispies(R), Just Right(R), Kellogg's(R) Low Fat Granola, Nut & Honey Crunch(R), Nut & Honey Crunch O's(TM), Muesli(R), Nutri-Grain(R), Corn Pops(R), Product 19(R), Kellogg's(R) Two Scoops(R) Raisin Bran, Rice Krispies(R), Rice Krispies Treats(R), Smacks(R), Smart Start(R), Special K(R), Kellogg's Cocoa Frosted Flakes(TM), Razzle Dazzle Rice Krispies(TM), and Kellogg's(R) Honey Crunch Corn Flakes(TM). Additional Company trademarks are the names of certain combinations of Kellogg's(R) ready-to-eat cereals, including Breakfast Mates(TM), Handi-Pak(R), Snack-Pak(R), Fun Pak(R), Jumbo(R) and Variety(R) Pak. Other Company brand names include Kellogg's(R) Corn Flake Crumbs; Croutettes(R) for herb season stuffing mix; Kellogg's(R) Nutri-Grain(R) for cereal bars; Pop-Tarts Pastry Swirls(TM) for toaster danish; Pop-Tarts(R) for toaster pastries; Eggo(R), Special K(R) and Nutri-Grain(R) for frozen waffles; Lender's(R) for Bagels; and Rice Krispies Treats(TM) for crispy marshmallow squares.

Company trademarks also include depictions of certain animated characters in conjunction with the Company's products, including Snap!(R)Crackle!(R)Pop!(R)for Kellogg's(R) Frosted Krispies(R), Fruity Marshmallow Krispies(R), Razzle Dazzle Rice Krispies(TM), and Rice Krispies(R); Tony the Tiger(TM) for Kellogg's Frosted Flakes(R) and Kellogg's Cocoa Frosted Flakes(TM); Toucan Sam(R)for Froot Loops(R); Dig 'Em!(R) for Smacks(R); Coco(TM) for Cocoa Krispies(R); and Cornelius(R) and Corny(TM) for Kellogg's Corn Flakes(R).

The slogans "The Best To You Each Morning"(R), "The Original and Best(R)," and "They're Gr-r-reat!"(R), used in connection with the Company's ready-to-eat cereals, are also important Company trademarks. The Company's use of the advertising themes "Better Breakfast"(TM), "Get A Taste For The Healthy Life"(TM), and "Cereal...Eat It For Life"(TM) represent part of its effort to establish throughout the United States and the world the concept of a nutritious breakfast.

The Company considers that, taken as a whole, the rights under its various patents, which expire from time to time, are a valuable asset, but the Company does not believe that its businesses are materially dependent on any single patent or group of related patents. The Company's activities under licenses or other franchises or concessions are not material.

Seasonality. Demand for the Company's products is approximately level throughout the year.

Working Capital. Although terms vary around the world, in the United States the Company generally requires payment for goods sold eleven days subsequent to the date of invoice, with a 2% discount allowed for payment within ten days. Receipts from goods sold, supplemented as required by borrowings, provide for the Company's payment of dividends, capital expansion, and for other operating expenses and working capital needs.

Customers. The Company is not dependent on any single customer or a few customers for a material part of its sales. Products of the Company are sold through its own sales forces and through broker and distributor arrangements and are generally resold to consumers in retail stores, restaurants, and other food service establishments.

Backlog. For the most part, orders are filled within a few days of receipt and are subject to cancellation at any time prior to shipment. The backlog of any unfilled orders at any particular time is not material to the Company.

Competition. The Company has experienced intense competition for sales of all of its principal products in its major markets, both domestically and internationally. The Company's products compete with advertised and branded products of a similar nature as well as unadvertised and private label products, which are typically distributed at lower prices, and generally with other food products with different characteristics. Principal methods and factors of competition include new product introductions, product quality, composition and nutritional value, price, advertising, and promotion.

Research and Development. Research to support and expand the use of the Company's existing products and to develop new food products is carried on at the W.K. Kellogg Institute for Food and Nutrition Research in Battle Creek, Michigan, and at other locations around the world. The Company's expenditures for research and development were approximately $121.9 million in 1998, $106.1 million in 1997, and $84.3 million in 1996.

Environmental Matters. The Company's facilities are subject to various foreign, federal, state, and local laws and regulations regarding the discharge of material into the environment and the protection of the environment in other ways. The Company is not a party to any material proceedings arising under these regulations. The Company believes that compliance with existing environmental laws and regulations will not materially affect the financial condition or the competitive position of the Company. The Company is currently in substantial compliance with all material environmental regulations affecting the Company and its properties.

Employees. At December 31, 1998, the Company had 14,498 employees.

Financial Information About Geographic Areas. The information called for by this Item is incorporated herein by reference from Note 13 to the Consolidated Financial Statements on pages 31 and 32 of the Company's Annual Report.

ITEM 2. PROPERTIES

The Company's corporate headquarters and principal research and development facilities are located in Battle Creek, Michigan.

The Company operates manufacturing plants and warehouses totaling more than ten million (10,000,000) square feet of building area in the United States and other countries. The Company's plants have been designed and constructed to meet its specific production requirements, and the Company periodically invests money for capital and technological improvements. At the time of its selection, each location was considered to be favorable, based on the location of markets, sources of raw materials, availability of suitable labor, transportation facilities, location of other Company plants producing similar products, and other factors. Manufacturing facilities of the Company in the United States include four cereal plants and warehouses located in Battle Creek, Michigan; Lancaster, Pennsylvania; Memphis, Tennessee; and Omaha, Nebraska. The Company's other convenience foods plants are located in San Jose, California; New Haven, Connecticut; West Haven, Connecticut; Atlanta, Georgia; Mattoon, Illinois; Pikeville, Kentucky; Blue Anchor, New Jersey; West Seneca, New York; Muncy, Pennsylvania; and Rossville, Tennessee.

Outside the United States, the Company has additional manufacturing locations, some with warehousing facilities, in Argentina, Australia, Brazil, Canada, China, Colombia, Ecuador, Germany, Great Britain, Guatemala, India, Japan, Malaysia, Mexico, South Africa, South Korea, Spain, Thailand, and Venezuela.

The principal properties of the Company, including its major office facilities, are held in fee and none is subject to any major encumbrance. Distribution centers and offices of non-plant locations typically are leased. The Company considers its facilities generally suitable, adequate, and of sufficient capacity for its current operations.

ITEM 3. LEGAL PROCEEDINGS

The Company is not a party to any pending legal proceedings which, if decided adversely, would be material to the Company on a consolidated basis, nor are any of the Company's properties or subsidiaries subject to any such proceedings.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

Not applicable.

ITEM 4A. EXECUTIVE OFFICERS OF THE REGISTRANT

The names, ages as of February 28, 1999, and positions of the executive officers of the Company are listed below together with their business experience. Executive officers are elected annually by the Board of Directors at the meeting immediately following the Annual Meeting of Stockholders.

Arnold G. Langbo
Chairman of the Board and Chief Executive Officer............................61
Mr. Langbo has been employed by the Company since 1956. He was named President and Chief Operating Officer in 1990 and became Chairman of the Board and Chief Executive Officer in 1992. In June of 1998, Mr. Carlos M. Gutierrez was named President and Chief Operating Officer. Mr. Langbo retained his positions as Chairman of the Board and Chief Executive Officer.

Carlos M. Gutierrez
President and Chief Operating Officer..45
Mr. Gutierrez joined Kellogg de Mexico in 1975. In 1993, Mr. Gutierrez was promoted to Executive Vice President, Kellogg USA Inc. and General Manager, Kellogg USA Cereal Division. He was appointed Executive Vice President and President, Kellogg Asia-Pacific in 1994, and Executive Vice President - Business Development in 1996. In June of 1998, Mr. Gutierrez was named President and Chief Operating Officer.

John D. Cook
Executive Vice President, President, Kellogg North America...................45
Mr. Cook joined Kellogg Company as Executive Vice President, President, Kellogg North America in February of 1999. From 1988 to 1999 Mr. Cook was a director with McKinsey and Company, Inc., a leading corporate strategy group.

Jean-Louis Gourbin
Executive Vice President, President, Kellogg Europe..........................51
Mr. Gourbin joined Kellogg France in 1983. He was promoted to President and CEO - Kellogg Canada Inc. in 1990. In 1995, he was named Managing

Director - Kellogg (Aust.) Pty. Ltd. Mr. Gourbin was appointed Executive Vice President and President, Kellogg Asia-Pacific in 1996. Mr. Gourbin was appointed President, Kellogg Europe in September of 1998.

Jacobus Groot
Executive Vice President, President, Kellogg Asia Pacific.....................48

Mr. Groot joined Kellogg Company as Executive Vice President, President, Kellogg Asia Pacific in January of 1999. Prior to joining Kellogg Company, Mr. Groot was employed by The Procter and Gamble Company for 17 years. His most recent position was Group Vice President (President-Asia, North, and President, Paper Products-Asia, Procter and Gamble Asia), a position he held since 1995.

Alan F. Harris
Executive Vice President, President, Kellogg Latin America...................44

Mr. Harris joined Kellogg Company of Great Britain Limited in 1984. In 1993, he was appointed President, Kellogg Canada Inc. In 1994, he was promoted to Executive Vice President - Marketing and Sales - Kellogg USA Inc. Mr. Harris was promoted to Executive Vice President and President, Kellogg Latin America in 1997.

John R. Hinton
Executive Vice President - Administration and Chief Financial Officer.........53

Mr. Hinton joined the Company as Assistant to the Vice President - Finance in 1979. He was appointed Executive Vice President - Financial Administration and Treasurer for Kellogg USA Inc. in 1993. In 1995, Mr. Hinton was named Senior Vice President - Administration and Chief Financial Officer. In 1997, Mr. Hinton was named Executive Vice President - Administration and Chief Financial Officer

Donald W. Thomason
Executive Vice President - Services and Technology...........................55

Mr. Thomason has been employed by the Company since 1966. He was named Executive Vice President - Services and Technology in 1990.

Donna J. Banks
Senior Vice President - Research and Development.............................42

Dr. Banks joined the Company in 1983. In 1991, she was promoted to Vice President - Research and Development Dr. Banks became Senior Vice President - Research and Development in 1997.

Richard M. Clark
Senior Vice President, General Counsel and Secretary.........................61

Mr. Clark joined the Company as Senior Vice President, General Counsel and Secretary in 1989.

Robert L. Creviston
Senior Vice President - Human Resources......................................57

Mr. Creviston joined the Company as Vice President - Employee Relations in 1982. He was named Senior Vice President - Human Resources in 1991.

Jay W. Shreiner
Senior Vice President...49

Mr. Shreiner joined the Company as Assistant Treasurer in 1983. He was named Vice President - Information Services in 1990 and Senior Vice President and Chief Information Officer in 1995. In January of 1999, Mr. Shreiner accepted an interim assignment as Chief Financial Officer of Kellogg Europe.

Joseph M. Stewart
Senior Vice President - Corporate Affairs....................................56

Mr. Stewart has been employed by the Company since 1980. He was named Senior Vice President - Corporate Affairs in 1988.

Michael J. Teale
Senior Vice President - Global Supply Chain..................................54

Mr. Teale joined Kellogg Company of Great Britain Limited in 1966. He was named Vice President - Cereal Manufacturing of the Company's U.S. Food Products Division in 1990, Senior Vice President - Worldwide Operations and Technology in 1994, and Senior Vice President - Global Supply Chain in February of 1999.

Alan Taylor
Vice President - Corporate Controller...47

Mr. Taylor has been employed by the Company since 1982. He served as Director - Finance of Kellogg (Aust.) Pty. Ltd. from 1988 until 1993. He became Controller of the Company in 1993, and was named a Vice President in 1994.

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON STOCK AND RELATED STOCKHOLDER MATTERS

The information called for by this Item is set forth on page 31 of the Company's Annual Report in Note 12 to the Consolidated Financial Statements of the Company which is incorporated by reference into Item 8 of this Report.

ITEM 6. SELECTED FINANCIAL DATA

The information called for by this Item is incorporated herein by reference from the chart entitled "Selected Financial Data" on pages 14 and 15 of the Company's Annual Report. Such information should be read in conjunction with the Consolidated Financial Statements of the Company and Notes thereto included in Item 8 of this Report.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The information called for by this Item is incorporated herein by reference from pages 16 through 21 of the Company's Annual Report.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

The information called for by this Item is incorporated herein by reference from pages 33 and 34 of the Company's Annual Report.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The information called for by this Item is incorporated herein by reference from pages 22 through 32 of the Company's Annual Report. Supplementary quarterly financial data, also incorporated herein by reference, is set forth in Note 12 to the Consolidated Financial Statements on page 31 of the Company's Annual Report.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Directors -- Refer to the Company's Proxy Statement dated March 12, 1999, for the Annual Meeting of Stockholders to be held on April 23, 1999, under the caption "Election of Directors" on pages 4 through 6, which information is incorporated herein by reference.

Executive Officers of the Registrant -- Refer to "Executive Officers of the Registrant" under Item 4A at pages 5 through 6 of this Report.

For information concerning Section 16(a) of the Securities Exchange Act of 1934, refer to the Company's Proxy Statement dated March 12, 1999, for the Annual Meeting of Stockholders to be held on April 23, 1999, under the caption

"Section 16(a) Beneficial Ownership Reporting Compliance" at page 3, which information is incorporated herein by reference.

ITEM 11. EXECUTIVE COMPENSATION

Refer to the Company's Proxy Statement dated March 12, 1999, for the Annual Meeting of Stockholders to be held on April 23, 1999, under the caption "Executive Compensation" at pages 7 through 11, which information is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Refer to the Company's Proxy Statement dated March 12, 1999, for the Annual Meeting of Stockholders to be held on April 23, 1999, under the caption "Security Ownership" at pages 2 through 3, which information is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

None.

PART IV

ITEM 14. EXHIBITS, CONSOLIDATED FINANCIAL STATEMENTS AND SCHEDULES, AND REPORTS ON FORM 8-K

The following Consolidated Financial Statements and related Notes, together with the Report thereon of PricewaterhouseCoopers LLP dated January 29, 1999, appearing on pages 22 through 33 of the Company's

Annual Report to Stockholders for the fiscal year ended December 31, 1998, are incorporated herein by reference:

(A)1. CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Statement of Earnings for the years ended December 31, 1998, 1997, and 1996.
Consolidated Statement of Shareholders' Equity for the years ended December 31, 1998, 1997, and 1996.
Consolidated Balance Sheet at December 31, 1998 and 1997.
Consolidated Statement of Cash Flows for the years ended December 31, 1998, 1997, and 1996.
Notes to Consolidated Financial Statements.

(A)2. CONSOLIDATED FINANCIAL STATEMENT SCHEDULE

The Financial Schedule and related Report of Independent Accountants filed as part of this Report are as follows:

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This Consolidated Financial Statement Schedule should be read in conjunction with the Consolidated Financial Statements and Notes thereto included in the Company's Annual Report to Stockholders for the fiscal year ended December 31, 1998.

All other financial statement schedules are omitted because they are not applicable.

(A)3. EXHIBITS

EXHIBIT NO.	DESCRIPTION
3.01	Amended Restated Certificate of Incorporation of Kellogg Company, incorporated by reference to Exhibit 3.01 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1996, Commission file number 1-4171.
3.02	Bylaws of Kellogg Company, as amended, incorporated by reference to Exhibit 3.02 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1995, Commission file number 1-4171.
4.01	Fiscal Agency Agreement dated as of January 29, 1997, between the Company and Citibank, N.A., Fiscal Agent, incorporated by reference to Exhibit 4.01 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1997, Commission file number 1-4171.
4.02	Form of Debt Security related to the Fiscal Agency Agreement described in Exhibit 4.01 above, incorporated by reference to Exhibit 4.02 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1997, Commission file number 1-4171.
4.03	Indenture dated as of August 5, 1997, between the Company and Citibank, N.A., Trustee and Collateral Agent, incorporated by reference to Exhibit 4.03 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1997, Commission file number 1-4171.
4.04	Form of Debt Security related to the Indenture described in Exhibit 4.03 above, incorporated by reference to Exhibit 4.04 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1997, Commission file number 1-4171.
4.05	Indenture dated August 1, 1993 between the Company and Harris Trust and Savings Bank, incorporated by reference to Exhibit 4.1 to the Company's Registration Statement on Form S-3, Commission file number 33-49875.
4.06	Kellogg Company 4 7/8% Notes Due 2005; US $200,000,000.
4.07	Kellogg Company 5 3/4% Extendible Notes Due 2001; US $200,000,000.

EXHIBIT NO.	DESCRIPTION
10.01	Kellogg Company Excess Benefit Retirement Plan, incorporated by reference to Exhibit 10.01 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1983, Commission file number 1-4171.*
10.02	Kellogg Company Supplemental Retirement Plan, incorporated by reference to Exhibit 10.05 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1990, Commission file number 1-4171.*
10.03	Kellogg Company Supplemental Savings and Investment Plan, incorporated by reference to Exhibit 10.03 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1994, Commission file number 1-4171.*
10.04	Kellogg Company 1982 Stock Option Plan, as amended on December 7, 1990, incorporated by reference to Exhibit 10.07

	to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1990, Commission file number 1-4171.*
10.05	Kellogg Company International Retirement Plan, incorporated by reference to Exhibit 10.05 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1997, Commission file number 1-4171.*
10.06	Kellogg Company Executive Survivor Income Plan, incorporated by reference to Exhibit 10.06 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1985, Commission file number 1-4171.*
10.07	Kellogg Company Key Executive Benefits Plan, incorporated by reference to Exhibit 10.09 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1991, Commission file number 1-4171.*
10.08	Kellogg Company Key Employee Long Term Incentive Plan, incorporated by reference to Exhibit 10.08 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1997, Commission file number 1-4171.*
10.09	Deferred Compensation Plan for Non-Employee Directors, incorporated by reference to Exhibit 10.10 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1993, Commission file number 1-4171.*
10.10	Kellogg Company Senior Executive Officer Performance Bonus Plan, incorporated by reference to Exhibit 10.10 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1995, Commission file number 1-4171.*
10.11	Stock Compensation Program for Non-Employee Directors of Kellogg Company, as amended.*
10.12	Kellogg Company Bonus Replacement Stock Option Plan, incorporated by reference to Exhibit 10.12 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1997, Commission file number 1-4171.*
10.13	Kellogg Company Executive Compensation Deferral Plan, , incorporated by reference to Exhibit 10.13 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1997, Commission file number 1-4171.*
10.14	Agreement between the Company and T. A. Knowlton dated October 1, 1998.*
10.15	Agreement between the Company and D. G. Fritz dated October 1, 1998.*
13.01	Pages 14 through 34 of the Company's Annual Report to Stockholders for the fiscal year ended December 31, 1998.
21.01	Domestic and Foreign Subsidiaries of the Company.
23.01	Consent of PricewaterhouseCoopers LLP.
23.02	Consent of PricewaterhouseCoopers LLP.

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EXHIBIT NO.	DESCRIPTION
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24.01	Powers of Attorney authorizing Richard M. Clark to execute the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1998, on behalf of the Board of Directors, and each of them.
27.01	Financial Data Schedule.
99.01	Kellogg Company American Federation of Grain Millers Savings and Investment Plan Annual Report on Form 11-K for the fiscal year ended October 31, 1998.
99.02	Kellogg Company Salaried Savings and Investment Plan Annual Report on Form 11-K for the fiscal year ended October 31, 1998.

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* A management contract or compensatory plan required to be filed with this Report.

The Company agrees to furnish to the Securities and Exchange Commission, upon its request, a copy of any instrument defining the rights of holders of long-term debt of the Company and its Subsidiaries and any of its unconsolidated Subsidiaries for which Financial Statements are required to be filed.

The Company will furnish any of its stockholders a copy of any of the above Exhibits not included herein upon the written request of such stockholder and the payment to the Company of the reasonable expenses incurred by the Company in furnishing such copy or copies.

(B) REPORTS ON FORM 8-K

The Company filed a Form 8-K on October 16, 1998, and on December 7, 1998.

SCHEDULE II -- VALUATION RESERVES

(in millions)

<TABLE>
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<S>	1998	1997	1996
ACCOUNTS RECEIVABLE			
Balance at January 1	$ 7.5	$ 6.6	$ 6.4
Additions charged to cost and expenses	5.7	2.4	0.7
Doubtful accounts charged to reserve	(0.5)	(1.0)	(0.4)
Currency translation adjustments	0.2	(0.5)	(0.1)
Balance at December 31	$ 12.9	$ 7.5	$ 6.6

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<S>	1998	1997	1996
NON-RECURRING CHARGES			
Balance at January 1	$ 51.9	$ 54.3	$ 94.0
Additions charged to cost and expenses	70.5	161.1	121.1
Amounts utilized	(70.9)	(163.5)	(160.8)
Balance at December 31	$ 51.5	$ 51.9	$ 54.3

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<S>	1998	1997	1996
DEFERRED INCOME TAX ASSET VALUATION ALLOWANCE			
Balance at January 1	$ 45.9	$ 31.6	$ 32.7
Additions charged to cost and expenses	23.0	25.5	2.5
Deductions credited to cost and expenses	(0.3)	(11.2)	(3.6)
Balance at December 31	$ 68.6	$ 45.9	$ 31.6

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REPORT OF INDEPENDENT ACCOUNTANTS ON FINANCIAL STATEMENT SCHEDULE

To the Stockholders and Board of Directors
of Kellogg Company

Our audits of the consolidated financial statements referred to in our report dated January 29, 1999, appearing in the 1998 Annual Report to Stockholders of Kellogg Company (which report and consolidated financial statements are incorporated by reference in this Annual Report on Form 10-K) also included an audit of the Financial Statement Schedule listed in Item 14(a) of this Form 10-K. In our opinion, this Financial Statement Schedule presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements.

/s/ PRICEWATERHOUSECOOPERS LLP

PRICEWATERHOUSECOOPERS LLP

Battle Creek, Michigan
January 29, 1999

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized, this 25th day of March 1999.

KELLOGG COMPANY

By: /s/ ARNOLD G. LANGBO

Arnold G. Langbo
Chairman of the Board
Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

<TABLE>
<CAPTION>

NAME	CAPACITY	DATE
<C>	<S>	<C>
/s/ ARNOLD G. LANGBO Arnold G. Langbo	Chairman of the Board, Chief Executive Officer; Director (Principal Executive Officer)	March 25, 1999
/s/ JOHN R. HINTON John R. Hinton	Executive Vice President-Administration and Chief Financial Officer (Principal Financial Officer)	March 25, 1999
/s/ ALAN TAYLOR	Vice President and Corporate Controller (Principal Accounting	March 25, 1999

Alan Taylor	Officer)
--- Benjamin S. Carson	Director
--- Carleton S. Fiorina	Director
--- Claudio X. Gonzalez	Director
--- Gordon Gund	Director
--- Carlos M. Gutierrez	Director
--- Dorothy A. Johnson	Director
--- William E. LaMothe	Director
--- Ann McLaughlin	Director
--- J. Richard Munro	Director
--- Harold A. Poling	Director
--- William C. Richardson	Director
--- Donald H. Rumsfeld	Director
--- John L. Zabriskie	Director

By: /s/ RICHARD M. CLARK   March 25, 1999

Richard M. Clark
As Attorney-in-Fact
</TABLE>

EXHIBIT INDEX

<TABLE>
<CAPTION>

EXHIBIT NO.	DESCRIPTION	ELECTRONIC(E) PAPER(P) INCORP. BY REF.(IBRF)
3.01	Amended Restated Certificate of Incorporation of Kellogg Company, incorporated by reference to Exhibit 3.01 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1996, Commission file number 1-4171.	IBRF
3.02	Bylaws of Kellogg Company, as amended, incorporated by reference to Exhibit 3.02 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1995, Commission file number 1-4171.	IBRF
4.01	Fiscal Agency Agreement dated as of January 29, 1997, between the Company and Citibank, N.A., Fiscal Agent, incorporated by reference to Exhibit 4.01 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1997, Commission file number 1-4171.	IBRF
4.02	Form of Debt Security related to the Fiscal Agency Agreement described in Exhibit 4.01 above, incorporated by reference to Exhibit 4.02 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1997, Commission file number 1-4171.	IBRF
4.03	Indenture dated as of August 5, 1997, between the Company and Citibank, N.A., Trustee and Collateral Agent, incorporated by reference to Exhibit 4.03 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1997, Commission file number 1-4171.	IBRF
4.04	Form of Debt Security related to the Indenture described in Exhibit 4.03 above, incorporated by reference to Exhibit 4.04 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1997, Commission file number 1-4171.	IBRF
4.05	Indenture dated August 1, 1993 between the Company and Harris Trust and Savings Bank, incorporated by reference to Exhibit 4.1 to the Company's Registration Statement on Form S-3, Commission file number 33-49875.	IBRF
4.06	Kellogg Company 4 7/8% Notes Due 2005; US $200,000,000.	E
4.07	Kellogg Company 5 3/4% Extendible Notes Due 2001; US $200,000,000.	E
10.01	Kellogg Company Excess Benefit Retirement Plan, incorporated by reference to Exhibit 10.01 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1983, Commission file number 1-4171.*	IBRF
10.02	Kellogg Company Supplemental Retirement Plan, incorporated by reference to Exhibit 10.05 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1990, Commission file number 1-4171.*	IBRF
10.03	Kellogg Company Supplemental Savings and Investment Plan, incorporated by reference to Exhibit 10.03 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1994, Commission file number 1-4171.*	IBRF
10.04	Kellogg Company 1982 Stock Option Plan, as amended on December 7, 1990, incorporated by reference to Exhibit 10.07 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1990, Commission file number 1-4171.*	IBRF
10.05	Kellogg Company International Retirement Plan, incorporated by reference to Exhibit 10.05 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1997, Commission file number 1-4171.*	IBRF
10.06	Kellogg Company Executive Survivor Income Plan, incorporated by reference to Exhibit 10.06 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1985, Commission file number 1-4171.*	IBRF

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<TABLE>
<CAPTION>

EXHIBIT NO.	DESCRIPTION	ELECTRONIC(E) PAPER(P) INCORP. BY REF.(IBRF)
<C>	<S>	<C>
10.07	Kellogg Company Key Executive Benefits Plan, incorporated by reference to Exhibit 10.09 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1991, Commission file number 1-4171.*	IBRF
10.08	Kellogg Company Key Employee Long Term Incentive Plan, incorporated by reference to Exhibit 10.08 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1997, Commission file number 1-4171.*	IBRF
10.09	Deferred Compensation Plan for Non-Employee Directors, incorporated by reference to Exhibit 10.10 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1993, Commission file number 1-4171.*	IBRF
10.10	Kellogg Company Senior Executive Officer Performance Bonus Plan, incorporated by reference to Exhibit 10.10 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1995, Commission file number 1-4171.*	IBRF
10.11	Stock Compensation Program for Non-Employee Directors of Kellogg Company, as amended.*	E
10.12	Kellogg Company Bonus Replacement Stock Option Plan, incorporated by reference to Exhibit 10.12 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1997, Commission file number 1-4171.*	IBRF
10.13	Kellogg Company Executive Compensation Deferral Plan, incorporated by reference to Exhibit 10.13 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1997, Commission file number 1-4171.*	IBRF
10.14	Agreement between the Company and T. A. Knowlton dated October 1, 1998.*	E
10.15	Agreement between the Company and D. G. Fritz dated October 1, 1998.*	E
13.01	Pages 14 through 34 of the Company's Annual Report to Stockholders for the fiscal year ended December 31, 1998.	E
21.01	Domestic and Foreign Subsidiaries of the Company.	E
23.01	Consent of PricewaterhouseCoopers LLP.	E
23.02	Consent of PricewaterhouseCoopers LLP.	E
24.01	Powers of Attorney authorizing Richard M. Clark to execute the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1998, on behalf of the Board of Directors, and each of them.	E
27.01	Financial Data Schedule.	E
99.01	Kellogg Company American Federation of Grain Millers Savings and Investment Plan Annual Report on Form 11-K for the fiscal year ended October 31, 1998.	E
99.02	Kellogg Company Salaried Savings and Investment Plan Annual Report on Form 11-K for the fiscal year ended October 31, 1998.	E

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* A management contract or compensatory plan required to be filed with this Report.

The Company will furnish any of its stockholders a copy of any of the above Exhibits not included herein upon the written request of such stockholder and the payment to the Company of the reasonable expenses incurred by the Company in furnishing such copy or copies.

REGISTERED REGISTERED

EXHIBIT 4.06

KELLOGG COMPANY

4-7/8% NOTES DUE 2005

CUSIP NO. 487836 AK 4

No. R-1 US$200,000,000

UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY (55 WATER STREET, NEW YORK, NEW YORK) (THE "DEPOSITORY") TO THE ISSUER OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO., OR SUCH OTHER NAME AS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY AND ANY PAYMENT IS MADE TO CEDE & CO., ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL SINCE THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

KELLOGG COMPANY, a Delaware corporation (herein called the "Issuer", which term includes any successor corporation under the Indenture hereinafter referred to), for value received, hereby promises to pay to CEDE & CO. or registered assigns, the principal sum of TWO HUNDRED MILLION (U.S.$200,000,000) (or such other amount as is provided herein) on October 15, 2005, in such coin or currency of the United States as at the time of payment shall be legal tender for the payment of public and private debts, and to pay interest, semiannually on April 15 and October 15 of each year, commencing April 15, 1999, on said principal sum, in such coin or currency of the United States as at the time of payment shall be legal tender for the payment of public and private debts, at the rate per annum specified in the title of this Note, from the April 15 or the October 15, as the case may be, next preceding the date of this Note to which interest has been paid, unless the date hereof is a date to which interest has been paid, in which case from the date of this Note, or unless no interest has been paid on this Note, in which case from October 13, 1998, until payment of said principal sum has been made or duly provided for. Payments of such principal and interest shall be made at the office or agency of the Issuer in Chicago, Illinois, which, subject to the right of the Issuer to vary or terminate the appointment of such agency, shall initially be at the principal office of Harris Bank and Trust Company, 111 West Monroe Street, Chicago, Illinois 60603; provided, that payment of interest may be made at the option of the Issuer by check mailed to the address of the person entitled thereto as such address shall appear on the Security register; provided further that so long as CEDE & CO. or another nominee of the Depository is the registered owner of this Note, payments of principal and interest will be made in immediately available funds through the Depository's Same-Day Funds Settlement System. Notwithstanding the foregoing, if the date hereof is after April 1 or October 1, as the case may be, and before the following April 15 or October 15 this Note shall bear interest from such April 15 or October 15; provided, that if the Issuer shall default in the payment

of interest due on such April 15 or October 15, then this Note shall bear interest from the next preceding April 15 or October 15, to which interest has been paid or, if no interest has been paid on this Note, from October 13, 1998. The interest so payable on any April 15 or October 15, will, subject to certain exceptions provided in the Indenture referred to on the reverse hereof, be paid to the person in whose name this Note is registered at the close of business on the April 1 or October 1, as the case may be, next preceding such April 15 or October 15.

Reference is made to the further provisions of this Note set forth on the reverse hereof. Such further provisions shall for all purposes have the same effect as though fully set forth at this place.

This Note shall not be valid or become obligatory for any purpose until the certificate of authentication hereon shall have been signed by the Trustee under the Indenture referred to on the reverse hereof.

[Signatures appear on next page]

IN WITNESS WHEREOF, KELLOGG COMPANY has caused this instrument to be signed by facsimile by its duly authorized officers and has caused a facsimile of its corporate seal to be affixed hereunto or imprinted hereon.

Dated: October 13, 1998

KELLOGG COMPANY

[SEAL]

By: J.H. Bolt

Title: Vice President and Treasurer

By: Edward J. Gildea

Title: Vice President - Legal;
Assistant Secretary

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This is one of the Securities of the series designated herein referred to in the within-mentioned Indenture.

Harris Trust and Savings Bank,
as Trustee

By:

Authorized Officer

KELLOGG COMPANY

4-7/8% NOTES DUE 2005

General. This Note is one of a duly authorized issue of debentures, notes, bonds or other evidences of indebtedness of the Issuer (hereinafter called the "Securities") of the series hereinafter specified, all issued or to be issued under and pursuant to an indenture dated as of August 1, 1993 (herein called the "Indenture"), duly executed and delivered by the Issuer to Harris Trust and Savings Bank, as Trustee (herein called the "Trustee"), to which Indenture and all indentures supplemental thereto reference is hereby made for a description of the rights, limitations of rights, obligations, duties and immunities thereunder of the Trustee, the Issuer and the Holders of the Securities. The Securities may be issued in one or more series, which different series may be issued in registered or bearer form, or both, in various aggregate principal amounts, may be denominated and payable in United States Dollars, foreign currencies or currency units, may mature at different times, may bear interest at different rates, which may be fixed or variable, may be subject to different redemption provisions (if any), may be subject to different sinking, purchase or analogous funds (if any) and may otherwise vary as provided in the Indenture. This Note is one of a series designated as the 4-7/8% Notes due 2005 of the Issuer, limited in aggregate principal amount to $200,000,000.

Events of Default. In case an Event of Default with respect to the Notes shall have occurred and be continuing, the principal hereof may be declared, and upon such declaration shall become, due and payable, in the manner, with the effect and subject to the conditions provided in the Indenture.

Modifications and Waivers; Obligation of the Company Absolute. The Indenture contains provisions permitting the Issuer and the Trustee, with the consent of the Holders of a majority of the aggregate principal amount of the Securities at the time Outstanding (as defined in the Indenture) of all series to be affected (treated as one class), evidenced as provided in the Indenture, to execute supplemental indentures adding any provisions to or changing in any manner or eliminating any of the provisions of the Indenture or of any supplemental indenture or modifying in any manner the rights of the Holders of the Securities of each such series or of any coupons; provided, however, that no such supplemental indenture shall (i) extend the final maturity of any Security, or reduce the principal amount thereof or any premium thereon, or reduce the rate or extend the time of payment of interest thereon, or reduce any amount payable upon redemption thereof, or impair or affect the right of any Holder to institute suit for the payment thereof or, if the Securities provide therefor, any right of repayment at the option of the Securityholder, without the consent of the Holder of each Security so affected, or (ii) reduce the aforesaid percentage of Securities of any series, the Holders of which are required to consent to any such supplemental indenture, without the consent of the Holder of each Security affected. It is also provided in the Indenture that, with respect to certain defaults or Events of Default regarding the Securities of any series, prior to any declaration accelerating the maturity of such Securities, the Holders of a majority in aggregate principal amount Outstanding of the Securities

of such series (or, in the case of certain defaults or Events of Default, all or certain series of the Securities) may on behalf of the Holders of all the Securities of such series (or all or certain series of the Securities, as the case may be) waive any such past default or Event of Default and its consequences. The preceding sentence shall not, however, apply to a default in the payment of the principal of or premium, if any, or interest on any of the Securities. Any such consent or waiver by the Holder of this Note (unless revoked as provided in the Indenture) shall be conclusive and binding upon such Holder and upon all future Holders and owners of this Note and any Note which may be issued in exchange or substitution herefor, irrespective of whether or not any notation thereof is made upon this Note or such other Notes.

No reference herein to the Indenture, and no provision of this Note or of the Indenture, shall alter or impair the obligation of the Issuer, which is absolute and unconditional, to pay the principal of and any premium and interest on this Note in the manner, at the respective times, at the rate, and in the coin or currency herein prescribed.

Authorized Denominations. The Notes are issuable in registered form without coupons in denominations of $1,000 and any multiple of $1,000. As provided in the Indenture, and subject to certain limitations set forth therein, Notes in registered form are exchangeable for a like aggregate principal amount of Notes in registered form of other authorized denominations, as requested by the Holder surrendering the same at the agency of the Issuer in Chicago, Illinois. No service charge shall be made for any such exchange, but the Issuer may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

Redemption. The Notes may not be redeemed at the option of the Issuer prior to maturity.

Sinking Fund. The Notes are not subject to any sinking fund.

Registration of Transfer. Upon due presentment for registration of transfer of this Note at the office or agency of the Issuer in Chicago, Illinois, a new Note or Notes of authorized denominations for an equal aggregate principal amount will be issued to the transferee in exchange therefor, subject to the limitations provided in the Indenture, without charge except for any tax or other governmental charge imposed in connection therewith.

THIS SECURITY IS EXCHANGEABLE ONLY IF (X) THE DEPOSITORY NOTIFIES THE ISSUER THAT IT IS UNWILLING OR UNABLE TO CONTINUE AS DEPOSITORY FOR THIS GLOBAL DEBENTURE OR IF AT ANY TIME THE DEPOSITORY CEASES TO BE A CLEARING AGENCY REGISTERED UNDER THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED, (Y) THE ISSUER IN ITS SOLE DISCRETION DETERMINES THAT THIS DEBENTURE SHALL BE EXCHANGEABLE FOR CERTIFICATED DEBENTURES IN REGISTERED FORM OR (Z) AN EVENT OF DEFAULT, OR AN EVENT WHICH WITH THE PASSAGE OF TIME OR THE GIVING OF NOTICE WOULD BECOME AN EVENT OF DEFAULT, WITH RESPECT TO THE DEBENTURES REPRESENTED HEREBY HAS OCCURRED AND IS CONTINUING, PROVIDED THAT THE DEFINITIVE DEBENTURES SO ISSUED IN EXCHANGE FOR THIS PERMANENT GLOBAL DEBENTURE SHALL BE IN DENOMINATIONS OF $1,000 AND ANY INTEGRAL MULTIPLE OF $1,000 IN EXCESS THEREOF AND BE OF LIKE AGGREGATE PRINCIPAL AMOUNT AND TENOR AS THE PORTION OF THIS

PERMANENT GLOBAL DEBENTURE TO BE EXCHANGED, AND PROVIDED FURTHER THAT, UNLESS THE ISSUER AGREES OTHERWISE, DEBENTURES OF THIS SERIES IN CERTIFICATED REGISTERED FORM WILL BE ISSUED IN EXCHANGE FOR THIS PERMANENT GLOBAL DEBENTURE,

OR ANY PORTION HEREOF, ONLY IF SUCH DEBENTURES IN CERTIFICATED REGISTERED FORM WERE REQUESTED BY WRITTEN NOTICE TO THE TRUSTEE OR THE SECURITIES REGISTRAR BY OR ON BEHALF OF A PERSON WHO IS BENEFICIAL OWNER OF AN INTEREST HEREOF GIVEN THROUGH THE HOLDER HEREOF. EXCEPT AS PROVIDED ABOVE, OWNERS OF BENEFICIAL INTERESTS IN THIS PERMANENT GLOBAL DEBENTURE WILL NOT BE ENTITLED TO RECEIVE PHYSICAL DELIVERY OF DEBENTURES IN CERTIFICATED REGISTERED FORM AND WILL NOT BE CONSIDERED THE HOLDERS THEREOF FOR ANY PURPOSE UNDER THE INDENTURE.

Owners. The Issuer, the Trustee and any authorized agent of the Issuer or the Trustee may deem and treat the registered Holder hereof as the absolute owner of this Note (whether or not this Note shall be overdue and notwithstanding any notation of ownership or other writing hereon), for the purpose of receiving payment of, or on account of, the principal hereof and premium, if any, and interest hereon, and for all other purposes, and neither the Issuer nor the Trustee nor any authorized agent of the Issuer or the Trustee shall be affected by any notice to the contrary.

No Recourse Against Certain Persons. No recourse under or upon any obligation, covenant or agreement of the Issuer in the Indenture or any indenture supplemental thereto or in this Note, or because of the creation of any indebtedness represented thereby, shall be had against any incorporator, stockholder, officer or director, as such, of the Issuer or of any successor corporation, either directly or through the Issuer or any successor corporation, under any rule of law, statute or constitutional provision or by the enforcement of any assessment or by any legal or equitable proceeding or otherwise, all such liability being expressly waived and released by the acceptance hereof and as part of the consideration for the issue hereof.

Defeasance. The Indenture with respect to any series will be discharged and canceled except for certain Sections thereof, subject to the terms of the Indenture, upon the payment of all the Securities of such series or upon the irrevocable deposit with the Trustee of cash or U.S. Government Obligations (or a combination thereof) sufficient for such payment in accordance with Article Ten of the Indenture.

Governing Law. The Indenture and this Note shall be deemed to be contracts made under the laws of the State of New York, and for all purposes shall be governed by and construed in accordance with the laws of such state.

Defined Terms. Terms used herein which are defined in the Indenture shall have the respective meanings assigned thereto in the Indenture.

ABBREVIATIONS

The following abbreviations, when used in the inscription on the face of this instrument, shall be construed as though they were written out in full according to applicable laws or regulations:

TEN COM - as tenants in common
TEN ENT - as tenants by the entireties
JT TEN - as joint tenants with right of survivorship and not as tenants in common

UNIF GIFT MIN ACT ....Custodian...........
(Cust) (Minor)
Under Uniform Gifts to Minors Act

....
(State)

Additional abbreviations may also be used though not in the above list.

FOR VALUE RECEIVED, the undersigned hereby sell(s), assign(s) and transfer(s) unto

PLEASE INSERT SOCIAL SECURITY OR
OTHER IDENTIFYING NUMBER OF ASSIGNEE

[ ]

PLEASE PRINT OR TYPEWRITE NAME AND ADDRESS INCLUDING POSTAL ZIP CODE OF ASSIGNEE

---

the within Security and all rights thereunder, hereby irrevocably constituting and appointing ________________________________ attorney to transfer said Security on the books of the Issuer, with full power of substitution in the premises.

DATED:

Signature

NOTICE: THE SIGNATURE TO THIS ASSIGNMENT MUST CORRESPOND WITH THE NAME AS WRITTEN UPON THE FACE OF THE WITHIN INSTRUMENT IN EVERY PARTICULAR, WITHOUT ALTERATION OR ENLARGEMENT OR ANY CHANGE WHATEVER.

REGISTERED REGISTERED

EXHIBIT 4.07

KELLOGG COMPANY

5-3/4% EXTENDIBLE NOTES DUE 2001

CUSIP NO. 487836 AJ 7
No. R-2 US$200,000,000

UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY (55 WATER STREET, NEW YORK, NEW YORK) (THE "DEPOSITORY") TO THE ISSUER OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO., OR SUCH OTHER NAME AS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY AND ANY PAYMENT IS MADE TO CEDE & CO., ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL SINCE THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

KELLOGG COMPANY, a Delaware corporation (herein called the "Issuer", which term includes any successor corporation under the Indenture hereinafter referred to), for value received, hereby promises to pay to CEDE & CO. or registered assigns, the principal sum of TWO HUNDRED MILLION (U.S.$200,000,000) (or such other amount as is provided herein) on February 2, 2001 or, if the maturity date of this Note is extended as provided herein, February 2, 2005, in such coin or currency of the United States as at the time of payment shall be legal tender for the payment of public and private debts, and to pay interest, semiannually on February 2 and August 2 of each year, commencing August 2, 1998, on said principal sum, in such coin or currency of the United States as at the time of payment shall be legal tender for the payment of public and private debts, at the rate per annum specified in the title of this Note or, if the maturity date of this Note is extended, at the rate determined as provided herein, from the February 2 or the August 2, as the case may be, next preceding the date of this Note to which interest has been paid, unless the date hereof is a date to which interest has been paid, in which case from the date of this Note, or unless no interest has been paid on this Note, in which case from February 4, 1998, until payment of said principal sum has been made or duly provided for. Payments of such principal and interest shall be made at the office or agency of the Issuer in Chicago, Illinois, which, subject to the right of the Issuer to vary or terminate the appointment of such agency, shall initially be at the principal office of Harris Bank and Trust Company, 111 West Monroe Street, Chicago, Illinois 60603; provided, that payment of interest may be made at the option of the Issuer by check mailed to the address of the person entitled thereto as such address shall appear on the Security register; provided further that so long as CEDE & CO. or another nominee of the Depository is the registered owner of this Note, payments of principal and interest will be made in immediately available funds through the Depository's Same-Day Funds

Settlement System. Notwithstanding the foregoing, if the date hereof is after January 17 or August 17, as the case may be, and before the following February 2 or August 2 this Note shall bear interest from such February 2 or August 2; provide that if the Issuer shall default in the

payment of interest due on such February 2 or August 2, then this Note shall bear interest from the next preceding February 2 or August 2, to which interest has been paid or, if no interest has been paid on this Note, from February 4. The interest so payable on any February 2 or August 2, will, subject to certain exceptions provided in the Indenture referred to on the reverse hereof, be paid to the person in whose name this Note is registered at the close of business on the January 17 or July 17, as the case may be, next preceding such February 2 or August 2.

Reference is made to the further provisions of this Note set forth on the reverse hereof. Such further provisions shall for all purposes have the same effect as though fully set forth at this place.

This Note shall not be valid or become obligatory for any purpose until the certificate of authentication hereon shall have been signed by the Trustee under the Indenture referred to on the reverse hereof.

[Signatures appear on next page)

IN WITNESS WHEREOF, KELLOGG COMPANY has caused this instrument to be signed by facsimile by its duly authorized officers and has caused a facsimile of its corporate seal to be affixed hereunto or imprinted hereon.

Dated: February 4, 1998 KELLOGG COMPANY

[SEAL]

By: J.H. Bolt

By: Edward J. Gildea

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This is one of the Securities of the series designated herein referred to in the within-mentioned Indenture.

Harris Trust and Savings Bank,
as Trustee

By C. Potter

Authorized Officer

KELLOGG COMPANY

5-3/4% EXTENDIBLE NOTES DUE 2001

GENERAL. This Note is one of a duly authorized issue of debentures, notes, bonds or other evidences of indebtedness of the Issuer (hereinafter called the "Securities") of the series hereinafter specified, all issued or to be issued under and pursuant to an indenture dated as of August 1, 1993 (herein called the "Indenture"), duly executed and delivered by the Issuer to Harris Trust and Savings Bank, as Trustee (herein called the "Trustee"), to which Indenture and all indentures supplemental thereto reference is hereby made for a description of the rights, limitations of rights, obligations, duties and immunities thereunder of the Trustee, the Issuer and the Holders of the Securities. The Securities may be issued in one or more series, which different series may be issued in registered or bearer form, or both, in various aggregate principal amounts, may be denominated and payable in United States Dollars, foreign currencies or currency units, may mature at different times, may bear interest at different rates, which may be fixed or variable, may be subject to different redemption provisions (if any), may be subject to different sinking, purchase or analogous funds (if any) and may otherwise vary as provided in the Indenture. This Note is one of a series designated as the 5-3/4% Extendible Notes Due 2001 of the Issuer, limited in aggregate principal amount to $400,000,000.

EXTENSION OF MATURITY. If, on the Determination Date (as defined below), the CMT Rate (as defined below) is greater than the Minimum Reference Rate (as defined below), the Notes will mature on the Initial Maturity Date (as defined below) at 100% of their principal amount plus accrued and unpaid interest. If, on the Determination Date, the CMT Rate is less than or equal to the Minimum Reference Rate, the holder of the Notes may elect to extend the term of this Note to the Final Maturity Date (as defined below) and reset the rate at which the Notes will bear interest as described below. If the CMT Rate is less than or equal to the Minimum Reference Rate and the holder of the Notes does not elect to extend the maturity of the Notes, the Notes will mature on the Initial Maturity Date at a price equal to the greater of (x) 100% of its principal amount and (y) the price of a hypothetical four-year corporate debt security issued for settlement on the Initial Maturity Date and maturing on the Final Maturity Date, with a coupon paid semi-annually at the Minimum Reference Rate and a yield to maturity equal to the CMT Rate.

For the purposes of calculating the CMT Rate and certain other calculations described herein, the Company has entered into a Calculation Agency Agreement, dated February 4, 1998 (the "Calculation Agency Agreement") with Lehman Brothers Inc. (the "Calculation Agent", which expression shall include any successor as Calculation Agent under the Calculation Agency Agreement). Any calculations by the Calculation Agent shall, in the absence of manifest error, be binding on the Issuer, the Trustee and the Holder of the Notes.

Not later than the eighth Business Day prior to the Initial Maturity Date, the Calculation Agent is required to notify the Trustee, the Company and the Holder of the Notes by facsimile

(i) of the CMT Rate and (ii) if the CMT Rate is less than or equal to the Minimum Reference Rate on the Determination Date that the Holder of the Notes shall be entitled to exercise the Extension Option. Not later than the eighth Business Day prior to the Initial Maturity Date, the Issuer shall notify the Trustee and the Holder of the Notes of the Spread. If the Issuer does not so notify, the Notes will mature on the Initial Maturity Date at a price equal to the greater of (x) 100% of its principal amount and (y) the price of a hypothetical four-year corporate debt security issued for settlement on the Initial Maturity Date and maturing on the Final Maturity Date, with a coupon paid semi-annually at the Minimum Reference Rate and a yield to maturity equal to the CMT Rate. In order to validly exercise the Extension Option, the Holder of the Notes must notify the Issuer and the Trustee by facsimile of such exercise not later than 5:00 P.M., New York City time, on the fifth Business Day prior to the Initial Maturity Date. Except as provided in the next succeeding sentence, any exercise of the Extension Option shall be irrevocable. In the event that the Callholder (as defined in the Board Resolutions establishing the terms of the Notes) fails to deposit the applicable call price with the Holder of the Notes by 5:00 P.M., New York City time, on the fourth Business Days prior to the Initial Maturity Date, the Issuer shall purchase the Notes on the Initial Maturity Date at a price equal to the principal amount of the Notes plus accrued and unpaid interest thereon.

Upon any sale or other disposition of any beneficial interest in the Notes occurring after their initial sale, the Extension Option shall expire.

"Business Day" means any day that is not a Saturday or Sunday and that in New York City is not a day on which banking institutions are generally authorized or required by law or executive order to be closed for business.

"CMT Rate" means, with respect to the Determination Date, the rate displayed on the Designated CMT Telerate Page under the caption "...TSY Constant Maturities and Money Mkts ... Fed H.15 Daily," under the column for the Designated CMT Maturity Index. If such rate is no longer displayed on the relevant page or is not displayed by 3:00 P.M., New York City time, on such date, then the CMT Rate for such Determination Date will be such treasury constant maturity rate for the Designated CMT Maturity Index as published in the relevant H.15(519). If such rate is no longer published or is not published by 3:00 P.M., New York City time, on the related date, then the CMT Rate on such Determination Date will be such treasury constant maturity rate for the Designated CMT Maturity Index (or other United States Treasury rate for the Designated CMT Maturity Rate) for the Determination Date as may then be published by either the Board of Governors of the Federal Reserve System or the United States Department of the Treasury that the Calculation Agent determines to be comparable to the rate formerly displayed on the designated CMT Telerate Page and published in the relevant H.15(519). If such information is not provided by 3:00 P.M., New York City time, on the Business Day next following the Determination Date, then the Calculation Agent shall determine and use the Treasury Yield for calculations.

"Designated CMT Maturity Index" means four years (calculated based on the straight line

interpolation of the three- and five-year CMT Rates).

"Designated CMT Telerate Page" means the display on the Dow Jones Telerate Service on page 7055 (or any other page as may replace such page on that service for the purpose of displaying Treasury Constant maturities as reported in H.15(519) for the purpose of displaying Treasury Constant Maturities as reported in H.15(519)).

"Determination Date" means the ninth Business Day preceding the Initial Maturity Date.

"Initial Maturity Date" means February 2, 2001.

"Final Maturity Date" means February 2, 2005.

"Minimum Reference Rate" means 5.633%.

"Treasury Yield" means the rate equal to a straight-line interpolation of the then current "on the run" three- and five-year U.S. Treasury securities, as found on Telerate Page 500 for the day preceding the Determination Date at 5:00 p.m., New York City time. If such rate is no longer displayed on the relevant page or is not displayed by 3:00 P.M. on the Determination Date, then the CMT Rate shall be equal to the auction average rate (expressed as a bond equivalent on the basis of a year of 365 or 366 days, as applicable, and applied on a daily basis) as announced by the United States Department of the Treasury for Treasury securities having a maturity of four years. In the event that the results of the auction of Treasury securities having a maturity of four years are not reported as provided by 3:00 P.M., New York City time, on such Determination Date, or if no such auction is held in a particular week, then the CMT Rate will be a yield to maturity (expressed as a bond equivalent on the basis of a year of 365 or 366 days, as applicable, and applied on a daily basis) of the arithmetic mean of the secondary market bid rates, as of approximately 3:30 P.M., New York City time, on such Determination Date, of three leading primary United States government securities dealers selected by the Company, for the issue of Treasury securities with a remaining maturity closest to four years.

RESET OF INTEREST. If the CMT Rate is less than or equal to the Minimum Reference Rate on the Determination Date and the Notes are extended at the election of the Holder thereof, the Notes will bear interest from and including the Initial Maturity Date to, but not including, the Final Maturity Date at a rate per annum equal to the sum of (i) the Minimum Reference Rate and (ii) the Spread. "Spread" means the number of basis points (which shall be no less than zero) determined by the Issuer in its sole discretion spread over the CMT Rate on a hypothetical four-year unsecured and unsubordinated debt security of the Company necessary for such debt security to trade at par, as determined by the Calculation Agent.

EVENTS OF DEFAULT. In case an Event of Default with respect to the Notes shall have occurred and be continuing, the principal hereof may be declared, and upon such declaration shall become, due and payable, in the manner, with the effect and subject to the conditions provided in the Indenture.

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MODIFICATIONS AND WAIVERS; OBLIGATION OF THE COMPANY ABSOLUTE. The Indenture contains provisions permitting the Issuer and the Trustee, with the consent of the Holders of a majority of the aggregate principal amount of the Securities at the time Outstanding (as defined in the Indenture) of all series to be affected (treated as one class), evidenced as provided in the Indenture, to execute supplemental indentures adding any provisions to or changing in any manner or eliminating any of the provisions of the Indenture or of any supplemental indenture or modifying in any manner the rights of the Holders of the Securities of each such series or of any coupons; provided, however, that no such supplemental indenture shall (i) extend the final maturity of any Security, or reduce the principal amount thereof or any premium thereon, or reduce the rate or extend the time of payment of interest thereon, or reduce any amount payable upon redemption thereof, or impair or affect the right of any Holder to institute suit for the payment thereof or, if the Securities provide therefor, any right of repayment at the option of the Securityholder, without the consent of the Holder of each Security so affected, or (ii) reduce the aforesaid percentage of Securities of any series, the Holders of which are required to consent to any such supplemental indenture, without the consent of the Holder of each Security affected. It is also provided in the Indenture that, with respect to certain defaults or Events of Default regarding the Securities of any series, prior to any declaration accelerating the maturity of such Securities, the Holders of a majority in aggregate principal amount Outstanding of the Securities of such series (or, in the case of certain defaults or Events of Default, all or certain series of the Securities) may on behalf of the Holders of all the Securities of such series (or all or certain series of the Securities, as the case may be) waive any such past default or Event of Default and its consequences. The preceding sentence shall not, however, apply to a default in the payment of the principal of or premium, if any, or interest on any of the Securities. Any such consent or waiver by the Holder of this Note (unless revoked as provided in the Indenture) shall be conclusive and binding upon such Holder and upon all future Holders and owners of this Note and any Note which may be issued in exchange or substitution herefor, irrespective of whether or not any notation thereof is made upon this Note or such other Notes.

No reference herein to the Indenture, and no provision of this Note or of the Indenture, shall alter or impair the obligation of the Issuer, which is absolute and unconditional, to pay the principal of and any premium and interest on this Note in the manner, at the respective times, at the rate, and in the coin or currency herein prescribed.

AUTHORIZED DENOMINATIONS. The Notes are issuable in registered form without coupons in denominations of $1,000 and any multiple of $1,000. As provided in the Indenture, and subject to certain limitations set forth therein, Notes in registered form are exchangeable for a like aggregate principal amount of Notes in registered form of other authorized denominations, as requested by the Holder surrendering the same at the agency of the Issuer in Chicago, Illinois. No service charge shall be made for any such exchange, but the Issuer may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

REDEMPTION. The Notes may not be redeemed at the option of the Issuer on or prior to the Initial Maturity Date. The Notes may be redeemed, in whole or in part, at the option of the issuer at any time and from time to time after the Initial Maturity Date and prior to the Final

Maturity Date, upon mailing a notice of such redemption not less than 30 nor more than 60 days prior to the date fixed for redemption to the Holders of Notes at their last registered addresses, all as further provided in the Indenture, at a redemption price equal to the greater of (i) 100% of the principal amount thereof plus accrued interest to the redemption date and (ii) the sum of the present values of the remaining scheduled payments of interest on and principal of the Notes, discounted to the redemption date on a semiannual basis (assuming a 360-day year consisting of twelve 30-day months) at a rate equal to the sum of (a) the yield to maturity on the U.S. Treasury securities of comparable term and (b) 0.25%.

The Notes are not subject to any sinking fund.

REGISTRATION OF TRANSFER. Upon due presentment for registration of transfer of this Note at the office or agency of the Issuer in Chicago, Illinois, a new Note or Notes of authorized denominations for an equal aggregate principal amount will be issued to the transferee in exchange therefor, subject to the limitations provided in the Indenture, without charge except for any tax or other governmental charge imposed in connection therewith.

THIS SECURITY IS EXCHANGEABLE ONLY IF (X) THE DEPOSITORY NOTIFIES THE ISSUER THAT IT IS UNWILLING OR UNABLE TO CONTINUE AS DEPOSITORY FOR THIS GLOBAL DEBENTURE OR IF AT ANY TIME THE DEPOSITORY CEASES TO BE A CLEARING AGENCY REGISTERED UNDER THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED, (Y) THE ISSUER IN ITS SOLE DISCRETION DETERMINES THAT THIS DEBENTURE SHALL BE EXCHANGEABLE FOR CERTIFICATED DEBENTURES IN REGISTERED FORM OR (Z) AN EVENT OF DEFAULT, OR AN EVENT WHICH WITH THE PASSAGE OF TIME OR THE GIVING OF NOTICE WOULD BECOME AN EVENT OF DEFAULT, WITH RESPECT TO THE DEBENTURES REPRESENTED HEREBY HAS OCCURRED AND IS CONTINUING, PROVIDED THAT THE DEFINITIVE DEBENTURES SO ISSUED IN EXCHANGE FOR THIS PERMANENT GLOBAL DEBENTURE SHALL BE IN DENOMINATIONS OF $1,000 AND ANY

INTEGRAL MULTIPLE OF $1,000 IN EXCESS THEREOF AND BE OF LIKE AGGREGATE PRINCIPAL AMOUNT AND TENOR AS THE PORTION OF THIS PERMANENT GLOBAL DEBENTURE TO BE EXCHANGED, AND PROVIDED FURTHER THAT, UNLESS THE ISSUER AGREES OTHERWISE, DEBENTURES OF THIS SERIES IN CERTIFICATED REGISTERED FORM WILL BE ISSUED IN EXCHANGE FOR THIS PERMANENT GLOBAL DEBENTURE, OR ANY PORTION HEREOF, ONLY IF SUCH DEBENTURES IN CERTIFICATED REGISTERED FORM WERE REQUESTED BY WRITTEN NOTICE TO THE TRUSTEE OR THE SECURITIES REGISTRAR BY OR ON BEHALF OF A PERSON WHO IS BENEFICIAL OWNER OF AN INTEREST HEREOF GIVEN THROUGH THE HOLDER HEREOF. EXCEPT AS PROVIDED ABOVE, OWNERS OF BENEFICIAL INTERESTS IN THIS PERMANENT GLOBAL DEBENTURE WILL NOT BE ENTITLED TO RECEIVE PHYSICAL DELIVERY OF DEBENTURES IN CERTIFICATED REGISTERED FORM AND WILL NOT BE CONSIDERED THE HOLDERS THEREOF FOR ANY PURPOSE UNDER THE INDENTURE.

OWNERS. The Issuer, the Trustee and any authorized agent of the Issuer or the Trustee may deem and treat the registered Holder hereof as the absolute owner of this Note (whether or not this Note shall be overdue and notwithstanding any notation of ownership or other writing hereon), for the purpose of receiving payment of, or on account of, the principal hereof and premium, if any, and interest hereon, and for all other purposes, and neither the Issuer nor the Trustee nor any authorized agent of the Issuer or the Trustee shall be affected by any notice to the contrary.

NO RECOURSE AGAINST CERTAIN PERSONS. No recourse under or upon any obligation, covenant or agreement of the Issuer in the Indenture or any indenture supplemental thereto or in this Note, or because of the creation of any indebtedness represented thereby, shall be had against any incorporator, stockholder, officer or director, as such, of the Issuer or of any successor corporation, either directly or through the Issuer or any successor corporation, under any rule of law, statute or constitutional provision or by the enforcement of any assessment or by any legal or equitable proceeding or otherwise, all such liability being expressly waived and released by the acceptance hereof and as part of the consideration for the issue hereof.

DEFEASANCE. The Indenture with respect to any series will be discharged and cancelled except for certain Sections thereof, subject to the terms of the Indenture, upon the payment of all the Securities of such series or upon the irrevocable deposit with the Trustee of cash or U.S. Government Obligations (or a combination thereof) sufficient for such payment in accordance with Article Ten of the Indenture.

GOVERNING LAW. The Indenture and this Note shall be deemed to be contracts made under the laws of the State of New York, and for all purposes shall be governed by and construed in accordance with the laws of such state.

DEFINED TERMS. Terms used herein which are defined in the Indenture shall have the respective meanings assigned thereto in the Indenture.

ABBREVIATIONS

The following abbreviations, when used in the inscription on the face of this instrument, shall be construed as though they were written out in full according to applicable laws or regulations:

TEN COM - as tenants in common
TEN ENT - as tenants by the entireties
JT TEN - as joint tenants with right of survivorship and not as tenants in common

UNIF GIFT MIN ACT - ....Custodian...............
(Cust) (Minor)
Under Uniform Gifts to Minors Act

....

(State)

Additional abbreviations may also be used though not in the above list.

FOR VALUE RECEIVED, the undersigned hereby sell(s), assign(s) and transfer(s) unto

PLEASE INSERT SOCIAL SECURITY OR
OTHER IDENTIFYING NUMBER OF ASSIGNEE

[ ]

PLEASE PRINT OR TYPEWRITE NAME AND ADDRESS INCLUDING POSTAL ZIP CODE OF ASSIGNEE

---

the within Security and all rights thereunder, hereby irrevocably constituting and appointing ___________________________________ attorney to transfer said Security on the books of the Issuer, with full power of substitution in the premises.

Dated:

Signature

NOTICE: THE SIGNATURE TO THIS ASSIGNMENT MUST CORRESPOND WITH THE NAME AS WRITTEN UPON THE FACE OF THE WITHIN INSTRUMENT IN EVERY PARTICULAR, WITHOUT ALTERATION OR ENLARGEMENT OR ANY CHANGE WHATEVER.

EXHIBIT 10.11

KELLOGG COMPANY
STOCK COMPENSATION PROGRAM
FOR
NON-EMPLOYEE DIRECTORS
(as amended)

This is the Stock Compensation Program for Non-Employee Directors of Kellogg Company (the "Program").

1. Purpose. The purpose of the Program is to attract and retain outstanding non-employee directors by enabling them to participate in the Company's growth through automatic, non-discretionary awards of shares of common stock of the Company.

2. Eligibility. Eligibility for participation in the Program is limited to persons then currently serving as directors of the Company who are not "employees" of the Company (or any of its subsidiaries) within the meaning of the Employee Retirement Income Security Act of 1974 or for federal income tax withholding purposes (the "Participants").

3. Stock Available for the Program. Shares of stock available for issuance pursuant to the Program may be either authorized but unissued shares or shares which have been or may be reacquired by the Company including Treasury shares of the common stock of the Company, $0.25 par value (the "Stock"). An aggregate of 374,400 shares of the Stock shall be so available. No awards shall be made under the Program after 1999.

4. Awards of Restricted Stock. An Annual Award of 1,000 shares of Stock shall be made to each Participant elected at an annual meeting of stockholders with at least one year of service following the annual meeting of stockholders. Participants elected or appointed to the Board at any time other than the annual meeting of stockholders, shall receive an initial Award on the first anniversary of the Participant's election or appointment to the Board and a pro-rata Award at the next annual meeting of stockholders following the first anniversary based on the number of months from the first anniversary date to the next annual meeting of stockholders in relation to 12. Thereafter, the full Award shall be made to such person following each annual meeting of stockholders.

5. Rights of Participants. The Company shall establish a bookkeeping account in the name of each Participant (the "Stock Account"). As of the date that shares are awarded to a Participant, the Participant's Stock Account shall be adjusted to reflect such shares and an aggregate number of shares credited to each Participant on such date shall be transferred by the Company to the Kellogg Company Grantor Trust for Non-Employee Directors. Except for the right to direct

the Trustee as to the manner which the shares are to be voted, a Participant shall not have any rights with respect to any shares credited to the Participant's Stock Account and transferred to the Trust until the date the Participant ceases, for any reason, to serve as a director of the Company.

6. Changes in Capitalization or Organization. Nothing contained in this document shall alter or diminish in any way the right and authority of the Company to effect

changes in its capital or organizational structure; provided, however, that the following procedures shall be recognized.

6.1. Stock Split, Stock Dividend, or Extraordinary Distribution. In the event the number of shares of common stock of the Company is increased at any time by a stock split, by declaration by the Board of Directors of the Company of a dividend payable only in shares of such stock, or by any other extraordinary distribution of shares, the number of shares granted pursuant to Article 4 above shall be proportionately adjusted.

6.2. Organizational Changes. In the event a merger, consolidation, reorganization, or other change in corporate structure materially changes the terms or value of the common stock of the Company, the number of shares granted pursuant to Article 4 above shall be adjusted in such manner as the Board of Directors in its sole discretion shall determine to be equitable and consistent with the purposes of the Program. Such determination shall be conclusive for all purposes with respect to the grant made in Article 4 above.

7. Listing, Registration, and Legal Compliance. Each award made pursuant to Article 4 above shall be subject to the requirement that if at any time counsel to the Company shall determine that the listing, registration or qualification thereof or of any shares of the stock subject thereto upon any securities exchange or under any foreign, federal or state securities or other law or regulation, or the consent or approval of any governmental body or the taking of any other action to comply with or otherwise with respect to any such law or regulation, is necessary or desirable as a condition to or in connection with such award or delivery of shares of the Stock thereunder, no such award may be made or implemented unless such listing, registration, qualification, consent, approval or other action shall have been effected or obtained free of any conditions not acceptable to the Company. The holder of any such award shall supply the Company with such certificates, representations and information as the Company shall request and shall otherwise cooperate with the Company in effecting or obtaining such listing, registration, qualification, consent, approval or other action.

8. Obligation to Reelect. Nothing in this Program shall be deemed to create any obligation on the part of the Board of Directors to nominate any Director for reelection by the Company's shareholders.

9. Termination or Amendment of the Program. The Board of Directors reserves the right to terminate or amend the Program at any time; provided, however, that such action shall not adversely affect the rights of any Participant under its provisions with respect to awards of the Stock theretofore made, and provided further that such action shall not increase the amount of authorized and unissued shares of the Stock available for the program as specified in Article 3 above or materially increase the benefits to Participants.

10. Effective Date. This program shall become effective as of the date that it is ratified by the stockholders and no award made hereunder shall be effective unless the Program is so ratified.

EXHIBIT 10.14

LEAVE OF ABSENCE AGREEMENT

This Agreement (the "Agreement") made and entered into as of October 1, 1998, by the between Kellogg Company, a Delaware corporation ("the Company") and Thomas A. Knowlton, an individual ("Employee").

The purpose of this Agreement is to set forth the arrangements with respect to Employee's resignation as an officer of the Company, and its subsidiaries, divisions and affiliates, effective October 1, 1998, and related matters. As of that date, Employee is relieved of all his titles, duties, responsibilities and authority as an officer and otherwise with respect to, the Company.

Except as otherwise provided in this Agreement, for the period beginning October 1, 1998, and continuing through June 30, 2001, Employee will be an employee on a paid leave-of-absence. During Employee's paid leave-of-absence, Employee will receive the salary continuation payments as described herein, but Employee shall not hold any title or position with the Company, and Employee shall have no titles, duties, responsibilities or authority with respect to the Company, its business and/or operations.

As more fully provided hereinbelow, the salary continuation payments described herein are in consideration of Employee's release of any and all cause or causes of action he has, has had or may have against the Company and also in consideration of Employee's agreement not to compete.

Commencing October 1, 1998 and ending December 31, 1998, Employee will receive salary continuation payments at Employee's present salary equal to $48,333.33 per month. Commencing January 1, 1999 and ending June 30, 2001, Employee shall receive salary continuation payments equal to $33,833.33 per month. The amounts payable to Employee under this Agreement are in lieu of any amounts which may be payable to Employee for termination pay. The Company will pay to Employee that sum which is equivalent to all unused, earned and accrued vacation of Employee as of October 1, 1998. Employee shall not be entitled to any future vacation pay accruals from and after the date of this Agreement.

Usual and customary withholding for tax purposes will be withheld from all monthly salary continuation payments through June 30, 2001, and from any other payments made to Employee, to the extent required by law. All tax liability, with respect to any and all payments or services received by Employee under this Agreement (other than employer withholding and employer payroll taxes), will be Employee's responsibility.

Employee will be eligible to participate in the Second Restated Kellogg Company Salaried Savings and Investment Plan, subject to the terms and provisions thereof, including any amendment or alteration thereof after the date of this Agreement, throughout Employee's paid leave-of-absence. Usual and customary withholding for personal designated deductions, including participation in such Savings Plan, will be withheld throughout Employee's paid leave-of-absence.

Employee's right to exercise nonqualified stock options that Employee received pursuant to the Company 1982 Stock Option Plan and the 1991 Key Employee Long-Term Incentive Plan will be administered in accordance with and be subject to the respective provisions of those Plans, and shall continue so long as Employee is employed by the Company and for such period of time as provided by such Plans upon Employee's retirement.

The Company will continue Employee's coverage under the existing Company Executive Survivor Income Plan, based upon Employee's most recent compensation rate of $942,000.

Employee will be eligible, at the Company's expense, for outplacement assistance, not to exceed $60,000, by an outplacement agency mutually agreeable to Employee and Company. Arrangements for these services will be coordinated by R.L. Creviston of Kellogg Company.

Except as otherwise provided herein, benefits for Employee and his eligible dependents, as outlined in "A Guide To Your Medical/Mental/Prescription Drug Benefits" effective 1995, and under the Executive Income Survivor Plan, subject to the respective terms and provisions thereof, including any amendment or alteration thereof after the date of this Agreement, will be continued for Employee as an employee, and, to the extent provided in such plans, upon Employee's retirement. However, at such time as Employee is eligible for coverage by the health plan of another employer, such health insurance shall be deemed the primary health insurance coverage for Employee and his eligible dependents.

Price Waterhouse will provide to Employee, at Company's expense, for the tax year 1998 only, not to exceed $15,000 in fees and costs of Price Waterhouse, tax preparation and tax counseling services.

For a period of one year commencing October 1, 1998, or until Employee is reemployed, whichever first occurs, Employee will be eligible to participate in the Company's Relocation Program from Employee's home in Michigan. The Company will also pay the cost of one move to a destination, of Employee's choice, within North America. Payments hereunder are subject to required withholding taxes.

Employee shall and does hereby irrevocably elect to retire upon reaching age 55 and then be eligible for pension benefits through the Kellogg Company Salaried Pension Plan, the Kellogg Company Excess Benefit or Supplemental Retirement Plan (collectively the "Pension Plans"). Pension benefits for which Employee will be eligible will be based upon Employee's highest consecutive three-year earnings during his last ten years of employment with the Company. Years of service for this program will include the period while Employee is on leave-of-absence. At the time Employee elects to begin receiving such benefits, he should contact the Employee Benefits Department of the Company.

The Company will not modify the Pension Plans or any other plans or benefits under which Employee is entitled to participate pursuant to this Agreement in a manner which would treat Employee differently than other participants.

In further consideration of the foregoing, Employee agrees that, for the respective Restricted Periods (as hereinafter defined), Employee shall not (i) directly or indirectly, accept any employment, consult for or with, or otherwise provide or perform any services of any nature to, for or on behalf of any person, firm, partnership, corporation or other business or entity that manufactures, produces, distributes, sells or markets any of the Products (as hereinbelow defined) in the Geographic Area (as hereinafter defined), or (ii) directly or indirectly, permit any business firm which Employee, individually or jointly with others, may own, manage, operate or control, to engage in the manufacture, production, distribution, sale or marketing of any of the Products in the Geographic Area. For purposes of this paragraph, the term "Products" shall mean ready-to-eat cereal products, toaster pastries, cereal bars, granola bars, frozen waffles, crispy marshmallow squares, bagels, and any other similar grain-based convenience food product and the term "Geographic Area" shall mean any country in the world where the Company (including any subsidiary, division or affiliate thereof) manufactures, produces, distributes, sells or markets any of the Products at any time during the applicable Restricted Period (as defined below). For purposes of this paragraph, the Restricted Period with respect to the products, shall be three (3) years from the date of this Agreement.

As a result of this extension of salary and benefits eligibility, the Company, its subsidiaries, divisions and affiliates (including the directors, officers and employees of any of them) shall have no further obligations of any kind or nature to Employee, including, without limitation, obligations for any termination, severance or vacation pay, except as specifically provided herein and except as may be provided under the Company benefit plans in accordance with their terms. Employee agrees not to divulge any confidential or proprietary information regarding the Company and Employee further agrees to and shall immediately return to the Company all files, documents, correspondence, memoranda, customer and client lists, prospect lists, subscription lists, contracts, pricing policies, operational methods, marketing plans or strategies, product development techniques or plans, business acquisition plans, employee records, technical processes, designs and design projects, inventions, research projects presentations, proposals, quotations, data, notes,

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records, photographic slides, chromes, photographs, posters, manuals, brochures, internal publications, books, films, drawings, videos, sketches, plans, outlines, computer disks, computer files, work plans, specifications, credit cards, keys (including elevator, pass, building and door keys), identification cards, and any other documents, writings and materials that Employee came to possess or otherwise acquire as a result of and/or in connection with the Company. Employee agrees to conduct himself in a manner that reflects positively on the Company. Similarly, the Company agrees to conduct itself in a manner that reflects positively on Employee. Nothing contained in this Agreement, nor any actions taken by the Company, its subsidiaries, divisions and affiliates (including the directors, officers and employees of any of them) constitute any admission of fault, liability or wrongdoing of any kind, and the Company, its subsidiaries, divisions and affiliates (including the directors, officers and employees of any of them) each specifically denies any liability to Employee on any theory.

It is understood that the monthly salary continuation payments as provided in this Agreement shall continue to be made to Employee through June 30, 2001, whether or not Employee secures new employment. For purposes of this Agreement, Employee will be deemed to have secured new employment upon being employed by another company and becoming eligible for coverage under the health plan of that company, whereupon such company's health coverage shall be and be deemed to be the primary health coverage for Employee and his eligible dependents. Employee will not be deemed to have secured new employment as a result of business activities or services rendered by Employee to others on a part-time basis or otherwise as an independent contractor; provided, however, that nothing herein shall release Employee of Employee's obligation hereunder not to render such activities or services in connection with the manufacture, production, distribution, sale or marketing the Products in the Geographical Area, as above provided.

Employee hereby acknowledges and agrees that these arrangements set forth the sole and entire obligations of the Company, its subsidiaries, divisions and affiliates (including the directors, officers and employees of any of them) to Employee. Employee's signature in the space below shall conclusively evidence his acceptance of the terms set forth herein. Employee hereby resigns all of his titles, offices and positions with the Company and its subsidiaries, divisions and affiliates, effective October 1, 1998. Employee's signature also releases, remises and discharges the Company, its subsidiaries, divisions and affiliates (including the directors, officers and employees of any of them), fully, absolutely and unconditionally, of and from any and all claims, demands, actions, cause or causes of action, known or unknown, which Employee has, has had or have against any of them, including, but not limited to, the Age Discrimination in Employment Act, from the beginning of time to the day and date of these presents, except for matters arising under or contemplated by this Agreement. Execution on behalf of the Company releases, remises and discharges Employee fully, absolutely and unconditionally, of and from any and all claims,

demands, actions, cause or causes of action, known or unknown, which the Company, its subsidiaries, divisions and affiliates has, has had or may have against him, from the beginning of time to the day and date of these presents, except for matters arising under or contemplated by this Agreement.

This Agreement shall be construed and interpreted under the laws of the State of Michigan, including conflict of laws. It is agreed that any controversy, claim or dispute between the parties, directly or indirectly, concerning this Agreement or the breach thereof shall only be resolved in the Circuit Court of Calhoun County, or the United States District Court for the Western District of Michigan, whichever court has jurisdiction over the subject matter thereof, and the parties hereby submit to the jurisdiction of said courts.

Employee acknowledges that he has reviewed this Agreement with his own independent counsel of his choosing and has been advised by such counsel with respect thereto.

For purposes of any construction or interpretation of this Agreement, all terms and provisions thereof shall be deemed to have been mutually drafted by both of the parties.

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement as of the day and date first above written in Battle Creek, Michigan.

Kellogg Company

By: /s/ Richard M. Clark	/s/ Thomas A. Knowlton
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Richard M. Clark General Counsel and Secretary	Thomas A. Knowlton

Sept 25/98

EXHIBIT 10.15

LEAVE OF ABSENCE AGREEMENT

This Agreement (the "Agreement") made and entered into as of October 1, 1998, by the between Kellogg Company, a Delaware corporation ("the Company") and Donald G. Fritz, an individual ("Employee").

The purpose of this Agreement is to set forth the arrangements with respect to Employee's resignation as an officer of the Company, and its subsidiaries, divisions and affiliates, effective October 1, 1998, and related matters. As of that date, Employee is relieved of all his titles, duties, responsibilities and authority as an officer and otherwise with respect to the Company.

Except as otherwise provided in this Agreement, for the period beginning October 1, 1998, and continuing through September 30, 2002, Employee will be an employee on a paid leave-of-absence. During Employee's paid leave-of-absence, Employee will receive the salary continuation payments as described herein, but Employee shall not hold any title or position with the Company, and Employee shall have no titles, duties, responsibilities or authority with respect to the Company, its business and/or operations.

As more fully provided hereinbelow, the salary continuation payments described herein are in consideration of Employee's release of any and all cause or causes of action he has, has had or may have against the Company and also in consideration of Employee's agreement not to compete.

Commencing October 1, 1998 and ending December 31, 1998, Employee will receive salary continuation payments at Employee's present salary equal to $39,166.66 per month. Commencing January 1, 1999 and ending September 30, 2002, Employee shall receive salary continuation payments equal to $18,277.78 per month. The amounts payable to Employee under this Agreement are in lieu of any amounts which may be payable to Employee for termination pay. The Company will pay to Employee that sum which is equivalent to all unused, earned and accrued vacation of Employee as of October 1, 1998. Employee shall not be entitled to any future vacation pay accruals from and after the date of this Agreement.

Employee will be eligible to participate in the Second Restated Kellogg Company Salaried Savings and Investment Plan, subject to the terms and provisions thereof, including any amendment or alteration thereof after the date of this Agreement, throughout Employee's paid leave-of-absence. Usual and customary withholding for personal designated deductions, including participation in such Savings Plan, will be withheld throughout Employee's paid leave-of-absence.

Employee's right to exercise nonqualified stock options that Employee received pursuant to the Company 1982 Stock Option Plan and the 1991 Key Employee Long-Term

Incentive Plan will be administered in accordance with and be subject to the respective provisions of those Plans, and shall continue so long as Employee is employed by the Company and for such period of time as provided by such Plans upon Employee's retirement.

The Company will continue Employee's coverage under the existing Company Executive Survivor Income Plan, based upon Employee's most recent compensation rate of $745,890.

Employee will be eligible, at the Company's expense, for outplacement assistance, not to exceed $60,000, by an outplacement agency mutually agreeable to Employee and Company. Arrangements for these services will be coordinated by R.L. Creviston of Kellogg Company.

Except as otherwise provided herein, benefits for Employee and his eligible dependents, as outlined in "A Guide To Your Medical/Mental/Prescription Drug Benefits" effective 1995, and under the Executive Income Survivor Plan, subject to the respective terms and provisions thereof, including any amendment or alteration thereof after the date of this Agreement, will be continued for Employee as an employee, and, to the extent provided in such plans, upon Employee's retirement. However, at such time as Employee is eligible for coverage by the health plan of another employer, such health insurance shall be deemed the primary health insurance coverage for Employee and his eligible dependents.

Employee's tax obligations incurred while residing in the United Kingdom during fiscal year ended April 1999 will be calculated in accordance with the Company's written tax equalization policy. During the fiscal year ended April 1999, the Company will continue to retain monthly from Employee's salary continuation payments, while Employee resides in the United Kingdom, an amount which will represent the estimate of the theoretical tax on such payments. After 1999 annual tax returns are completed, the hypothetical taxes retained plus actual and estimated tax payments Employee may have made (without reimbursement from the Company) will be compared with Price Waterhouse's final calculation of theoretical taxes including non-company income (e.g. private investment) and allowable deductions to determine any balance due to or from Employee as applicable. The incremental tax on any non-company income that result from expatriation will be paid by the Company only through the fiscal year ended 1999.

The Company will make Employee's actual United Kingdom tax payments as they become due with respect to fiscal year ended April 1999. The accounting firm of Price Waterhouse will assist Employee, at Company's expense, in the preparation and filing of Employee's foreign and domestic income tax returns for the fiscal year ended April 1999. To the extent that there are foreign tax carryovers benefits available to the Company, the Company retains the right to recover these amounts.

Except as provided above, usual and customary withholding for tax purposes will be withheld from all monthly salary continuation payments through September 30, 2002, and from any other payments made to Employee, to the extent required by law. All tax liability, with respect to any and all payments received by Employee under this Agreement (other than employer withholding and employer payroll taxes), will be Employee's responsibility.

The Company will continue to provide housing, education reimbursement and automobile benefits until April 30, 1999, as further set forth in Employee's Letter of Understanding for Great Britain Assignment dated July 8, 1994.

The Company will pay moving expenses in accordance with the Company's policy for Employee, his family and his household goods and furniture. Expenses to Employee's point of origin, or alternate of Employee's choice, if lesser cost to the Company, will be paid, provided Employee returns to that point by April 30, 1999.

Employee shall and does hereby irrevocably elect to retire upon reaching age 55 and then be eligible for pension benefits through the International Retirement Plan, (the "IRP"). Pension benefits for which Employee will be eligible will be based upon Employee's highest consecutive three-year earnings during his last ten years of employment with the Company. Years of service for this program will include the period while Employee is on leave-of-absence. At the time Employee elects to begin receiving such benefits, he should contact the Employee Benefits Department of the Company.

In further consideration of the foregoing, Employee agrees that, for the respective Restricted Periods (as hereinafter defined). Employee shall not (i) directly or indirectly, accept any employment, consult for or with, or otherwise provide or perform any services of any nature to, for or on behalf of any person, firm, partnership, corporation or other business or entity that manufacturers, produces, distributes, sells or markets any of the Products (as hereinbelow defined) in the Geographic Area (as hereinafter defined), or (ii) directly or indirectly, permit any business firm which Employee, individually or jointly with others, may own, manage, operate or control, to engage in the manufacture, production, distribution, sale or marketing of any of the Products in Geographic Area. For purposes of this paragraph, the term "Products" shall mean ready-to-eat cereal products, toaster pastries, cereal bars, granola bars, frozen waffles, crispy marshmallow squares, bagels, and any other similar grain-based convenience food product and the term "Geographic Area" shall mean any country in the world where the Company (including any subsidiary, division or affiliate thereof) manufactures, produces, distributes, sells or markets any of the Products at any time during the applicable Restricted Period (as defined below). For purposes of this paragraph, the Restricted Period with respect to the products, shall be four (4) years from the date of this Agreement.

As a result of this extension of salary and benefits eligibility, the Company, its subsidiaries, divisions and affiliates (including the directors, officers and employees of any of them) shall have no further obligations of any kind or nature to Employee, including, without limitation, obligations for any termination, severance or vacation pay, except as specifically provided herein and except as may be provided under the Company benefit plans in accordance with their terms. Employee agrees not to divulge any confidential or proprietary information regarding the Company and Employee further agrees to and shall immediately return to the Company all files, documents, correspondence, memoranda, customer and client lists, prospect lists, subscription lists, contracts, pricing policies, operational methods, marketing plans or strategies, product development techniques or plans, business acquisition plans, employee records, technical processes, designs and design projects, inventions, research projects presentations, proposals, quotations, data, notes, records, photographic slides, chromes, photographs, posters, manuals, brochures, internal publications, books, films, drawings, videos, sketches, plans, outlines, computer disks, computer files, work plans, specifications, credit cards, keys (including elevator, pass, building and door keys), identification cards, and any other documents, writings and materials that Employee came to possess or otherwise acquire as a result of and/or in connection with the Company. Employee agrees to conduct himself in a manner that reflects positively on the Company. Similarly, the Company agrees to conduct itself in a manner that reflects positively on Employee. Nothing contained in this Agreement, nor any actions taken by the Company, its subsidiaries, divisions and affiliates (including the directors, officers, and employees of any of them) constitute any admission of fault, liability or wrongdoing of any kind, and the Company, its subsidiaries, divisions and affiliates (including the directors, officers and employees of any of them) each specifically denies any liability to Employee on any theory.

It is understood that the monthly salary continuation payments as provided in this Agreement shall continue to be made to Employee through September 30, 2002, whether or not Employee secures new employment. For purposes of this Agreement, Employee will be deemed to have secured new employment upon being employed by another company and becoming eligible for coverage under the health plan of that company, whereupon such company's health coverage shall be and be deemed to be the primary health coverage for Employee and his eligible dependents. Employee will not be deemed to have secured new employment as a result of business activities or services rendered by Employee to others on a part-time basis or otherwise as an independent contractor; provided, however, that nothing herein shall release Employee or Employee's obligation hereunder not to render such activities or services in connection with the manufacture, production, distribution, sale or marketing the Products in the Geographical

Area, as above provided.

Employee hereby acknowledges and agrees that these arrangements set forth the sole and entire obligations of the Company, its subsidiaries, divisions and affiliates (including the directors, officers and employees of any of them) to Employee. Employee's signature in the

space below shall conclusively evidence his acceptance of the terms set forth herein. Employee hereby resigns all of his titles, offices and positions with the Company and its subsidiaries, divisions and affiliates, effective October 1, 1998. Employee's signature also releases, remises and discharges the Company, its subsidiaries, divisions and affiliates (including the directors, officers and employees of any of them), fully, absolutely and unconditionally, of and from any and all claims, demands, actions, cause or causes of action, known or unknown, which Employee has, has had or may have against any of them including, but not limited to, the Age Discrimination in Employment Act, from the beginning of time to the day and date of these presents, except for matters arising under or contemplated by this Agreement. Execution on behalf of the Company releases, remises and discharges Employee fully, absolutely and unconditionally, of and from any and all claims, demands, actions, cause or causes of action, known or unknown, which the Company, its subsidiaries, divisions and affiliates has, has had or may have against him, from the beginning of time to the date and date of these presents, except for matters arising under or contemplated by this Agreement.

This Agreement shall be construed and interpreted under the laws of the State of Michigan, including conflict of laws. It is agreed that any controversy, claim or dispute between the parties, directly or indirectly, concerning this Agreement or the breach thereof shall only be resolved in the Circuit Court of Calhoun County, or the United States District Court for the Western District of Michigan, whichever court has jurisdiction over the subject matter thereof, and the parties hereby submit to the jurisdiction of said courts.

Employee acknowledged that he has reviewed this Agreement with his own independent counsel of his choosing and has been advised by such counsel with respect thereto.

For purposes of any construction or interpretation of this Agreement, all terms and provisions thereof shall be deemed to have been mutually drafted by both of the parties.

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement as of the day and date first above written in Battle Creek, Michigan.

Kellogg Company

By: /s/ Richard M. Clark	/s/ Donald G. Fritz
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Richard M. Clark General Counsel and Secretary	Donald G. Fritz

EXHIBIT 13.01

Selected Financial Data
(millions, except per share data and number of employees)

<TABLE>
<CAPTION>

	Net sales	% Growth	(a) Operating profit	% Growth	(a)(b) Earnings before accounting change	% Growth	Average shares outstanding(c)
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
10-year compound growth rate	5%		1%		-		
1998	$ 6,762.1	<1%>	$ 895.1	<11%>	$ 502.6	<11%>	407.8
1997	6,830.1	2	1,009.1	5	564.0	6	414.1
1996	6,676.6	(5)	958.9	14	531.0	8	424.9
1995	7,003.7	7	837.5	(28)	490.3	(30)	438.3
1994	6,562.0	4	1,162.6	16	705.4	4	448.6
1993	6,295.4	2	1,004.6	(5)	680.7	-	463.0
1992	6,190.6	7	1,062.8	3	682.8	13	477.7
1991	5,786.6	12	1,027.9	16	606.0	21	482.4
1990	5,181.4	11	886.0	21	502.8	19	483.2
1989	4,651.7	7	732.5	(8)	422.1	(12)	488.4
1988	4,348.8	15	794.1	15	480.4	21	492.8

</TABLE>

<TABLE>
<CAPTION>

	Per Common Share Data (c)						
	(a)(b) Earnings before accounting change	Cash dividends	(d) Price/ earnings ratio	Stock price range	Net cash provided by operating activities	Net cash provided by/ (used in) financing activities	Common stock repurchases
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
10-year compound growth rate	2%	9%					
1998	$ 1.23	$ 0.92	28	$30 - 50	$ 719.7	$(358.3)	$ 239.7
1997	1.36	0.87	36	32 - 50	879.8	(607.3)	426.0
1996	1.25	0.81	26	31 - 40	711.5	94.0	535.7
1995	1.12	0.75	34	26 - 40	1,041.0	(759.2)	374.7
1994	1.57	0.70	18	24 - 30	966.8	(559.5)	327.3
1993	1.47	0.66	19	23 - 34	800.2	(464.2)	548.1
1992	1.43	0.60	23	27 - 37	741.9	(422.6)	224.1
1991	1.26	0.54	26	17 - 33	934.4	(537.7)	83.6
1990	1.04	0.48	18	14 - 19	819.2	(490.9)	86.9
1989	0.87	0.43	20	14 - 20	533.5	(143.2)	78.6
1988	0.98	0.38	16	12 - 17	492.3	52.1	33.6

</TABLE>

<TABLE>
<CAPTION>

	Total assets	Return on average assets	Shareholders' equity	Return on average equity	Property, net	Capital expenditures	Depreciation and amortization	Long-term debt
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
1998	$ 5,051.5	10%	$ 889.8	53%	$ 2,888.8	$ 373.9	$ 278.1	$1,614.5
1997	4,877.6	11	997.5	49	2,773.3	312.4	287.3	1,415.4
1996	5,050.0	11	1,282.4	37	2,932.9	307.3	251.5	726.7
1995	4,414.6	11	1,590.9	29	2,784.8	315.7	258.8	717.8
1994	4,467.3	16	1,807.5	40	2,892.8	354.3	256.1	719.2
1993	4,237.1	16	1,713.4	37	2,768.4	449.7	265.2	521.6
1992	4,015.0	11	1,945.2	21	2,662.7	473.6	231.5	314.9
1991	3,925.8	16	2,159.8	30	2,646.5	333.5	222.8	15.2
1990	3,749.4	14	1,901.8	28	2,595.4	320.5	200.2	295.6
1989	3,390.4	14	1,634.4	30	2,406.3	508.7	167.6	371.4

1988	3,297.9	16	1,483.2	36	2,131.9	538.1	139.7	272.1

</TABLE>

<TABLE>
<CAPTION>

	(e) Debt to market capitalization	Pretax interest coverage (times)	Current ratio	Advertising expense	R&D expense	Number of employees
<S>	<C>	<C>	<C>	<C>	<C>	<C>
1998	16%	7	0.9	$ 695.3	$ 121.9	14,498
1997	10	9	0.9	780.4	106.1	14,339
1996	14	13	0.7	778.9	84.3	14,511
1995	5	12	1.1	891.5	72.2	14,487
1994	8	23	1.2	856.9	71.7	15,657
1993	7	27	1.0	772.4	59.2	16,151
1992	3	33	1.2	782.3	56.7	16,551
1991	3	17	0.9	708.3	34.7	17,017
1990	7	10	0.9	648.5	38.3	17,239
1989	10	10	0.9	611.4	42.9	17,268
1988	9	14	0.9	560.9	42.0	17,461

</TABLE>

(a) Operating profit for 1998 includes non-recurring charges of $70.5 ($46.3 after tax or $.12 per share). Operating profit for 1997 includes non-recurring charges of $184.1 ($140.5 after tax or $.34 per share). Operating profit for 1996 includes non-recurring charges of $136.1 ($97.8 after tax or $.23 per share). Earnings before accounting change for 1996 include a charge of $35.0 ($22.3 after tax or $.05 per share) for a contribution to the Kellogg's Corporate Citizenship Fund. Operating profit for 1995 includes non-recurring charges of $421.8 ($271.3 after tax or $.62 per share). Operating profit for 1993 includes non-recurring charges of $64.3 ($41.1 after tax or $.09 per share). Refer to Management's Discussion and Analysis on pages 16-21 and Notes 3 and 4 within the Notes to Consolidated Financial Statements for further explanation of non-recurring charges and other unusual items for years 1996 - 1998.

(b) Earnings before accounting change for 1997 exclude the effect of a charge of $18.0 after tax ($.04 per share) to write off business process reengineering costs in accordance with guidance issued by the Emerging Issues Task Force of the FASB. Earnings before accounting change for 1992 and 1989 exclude the effect of adopting the following Statements of Financial Accounting Standards (SFAS): in 1992, a charge of $251.6 ($.53 per share) net of $144.6 of income tax benefit for the transition effect of SFAS #106, "Employers' Accounting for Postretirement Benefits Other Than Pensions," and, in 1989, a gain of $48.1 ($.10 per share) for SFAS #96 "Accounting for Income Taxes."

(c) All share data retroactively restated to reflect 2-for-1 stock splits in 1997 and 1991. All earnings per share data represent both basic and diluted earnings per share.

(d) The price/earnings ratio was calculated based on year-end stock price divided by earnings before the accounting changes referred to in note (b). These earnings include the non-recurring charges and other unusual items referred to in note (a). Excluding the impact of these unusual items, the price/earnings ratio in 1998, 1997, 1996, 1995, and 1993 would have been 25, 29, 21, 22, and 19, respectively.

(e) Debt to market capitalization was calculated based on year-end total debt balance divided by market capitalization. Market capitalization was calculated based on year-end stock price multiplied by the number of shares outstanding at year-end.

MANAGEMENT'S DISCUSSION AND ANALYSIS

KELLOGG COMPANY AND SUBSIDIARIES

RESULTS OF OPERATIONS

OVERVIEW
Kellogg Company manufactures and markets ready-to-eat cereal and other grain-based convenience food products, including toaster pastries, frozen waffles, cereal bars, and bagels, throughout the world. Principal markets for

these products include the United States and Great Britain. Operations are managed via four major geographic areas - North America, Europe, Asia-Pacific, and Latin America - which are the basis of the Company's reportable operating segment information. The Company leads the global ready-to-eat cereal category with an estimated 38% annualized share of worldwide volume. Additionally, the Company is the North American market leader in the toaster pastry, cereal/granola bar, frozen waffle, and pre-packaged bagel categories.

During 1998, the Company realized declines in earnings per share both with and without unusual items (discussed below). The Company experienced significant competitive pressure combined with category softness in its major ready-to-eat cereal markets, to which it responded by accelerating investment in long-term growth strategies, including product development, technology, and efficiency initiatives.

For the full year of 1998, Kellogg Company reported net earnings and earnings per share of $502.6 million and $1.23, respectively, compared to 1997 net earnings of $546.0 million and net earnings per share of $1.32. Net earnings and earnings per share for 1996 were $531.0 million and $1.25, respectively. (All per share amounts reflect the 2-for-1 stock split effective August 22, 1997. All earnings per share presented represent both basic and diluted earnings per share.)

During the current and prior years, the Company reported non-recurring charges and other unusual items that have been excluded from all applicable amounts presented below for purposes of comparison between years. Additionally, results for 1997 are presented before the cumulative effect of a change in the method of accounting for business process reengineering costs. Refer to the separate section below on non-recurring charges and other unusual items for further information.

1998 compared to 1997

Excluding non-recurring charges and other unusual items, the Company reported 1998 earnings per share of $1.35, a 21% decrease from the prior-year result of $1.70. The year-to-year decrease in earnings per share of $.35 resulted from $.33 of business decline, $.01 of unfavorable tax rate movements, and $.03 of unfavorable foreign currency movements, partially offset by a $.02 benefit from share repurchase. The business decline was principally attributable to cereal category softness and competitive pressures in North America and Europe, and continued global investments in brand-building marketing activities and streamlining initiatives. Foreign currency movements had a minimal net impact in Europe and negatively impacted earnings by 2% on a consolidated basis due to currency devaluation in Latin America and Asia-Pacific.

The Company realized the following volume results during 1998:

<TABLE>
<CAPTION>

	CHANGE
North America	-4.3%

</TABLE>

<TABLE>

Europe	-1.2%
Asia-Pacific	+6.9%
Latin America	+16.2%
Global total	-1.3%
	CHANGE
Global cereal	-2.0%
Global convenience foods	+1.1%
Global total	-1.3%

</TABLE>

Within North America and Europe, volume declines were principally due to softness in the ready-to-eat cereal business. Asia-Pacific experienced record volume due to a combination of cereal growth and new convenience food product introductions. Latin America continued to post double-digit increases in both ready-to-eat cereal and convenience foods, with record volume results throughout 1998.

The global convenience foods volume increase was driven by double-digit growth in the Company's international markets offset by softness within North America, primarily due to declines in the Lender's Bagels business.

On an annualized basis, regional volume market share of the ready-to-eat cereal category was approximately 33% in North America, 43% in Europe, 43% in Asia-Pacific, and 61% in Latin America.

Consolidated net sales decreased 1% for 1998. Adjusted for unfavorable foreign currency translation, sales were even with the prior year, with the unfavorable impact of volume declines offset by favorable pricing and product mix movements. On an operating segment basis, net sales versus the prior year were:

	North America	Europe	Asia-Pacific	Latin America	Consolidated
Business	-1%	-	+ 7%	+16%	-
Foreign currency impact	-1%	-	-15%	-4%	-1%
TOTAL CHANGE	-2%	-	-8%	+12%	-1%

Margin performance for 1998 and 1997 was:

	1998	1997	CHANGE
Gross margin	+51.5%	+52.1%	- .6%
SGA%(a)	-37.2%	-34.6%	-2.6%
Operating margin	+14.3%	+17.5%	-3.2%

(a) Selling, general and administration expense as a percentage of net sales.

The gross margin decline was due to a combination of the fixed cost absorption impact of lower volumes combined with incremental costs related to launching new products in Europe and North America. The increase in SGA% reflects increased global research and development costs to support our ongoing innovation strategy combined with significant marketing investment and increased spending on streamlining initiatives.

Operating profit (loss) on an operating segment basis was:

(millions)	North America	Europe	Asia-Pacific	Latin America	Corporate and other	Consolidated
1998 operating profit (loss) as reported	$790.8	$208.1	$44.9	$107.2	($255.9)	$ 895.1
Non-recurring charges	40.8	3.3	3.4	-	23.0	70.5
1998 OPERATING PROFIT (LOSS) EXCLUDING NON-RECURRING CHARGES	$831.6	$211.4	$48.3	$107.2	($232.9)	$ 965.6
1997 operating profit (loss) as reported	$847.0	$189.9	$22.5	$111.6	($161.9)	$ 1,009.1
Non-recurring charges	37.8	115.9	28.6	.2	1.6	184.1
1997 OPERATING PROFIT (LOSS) EXCLUDING NON-RECURRING CHARGES	$884.8	$305.8	$51.1	$111.8	($160.3)	$ 1,193.2
% change - 1998 vs. 1997 excluding non-recurring charges						
Business	-6%	-31%	+11%	-1%	-45%	-18%
Foreign currency impact	-	-	-16%	-3%	-	-1%
TOTAL CHANGE	-6%	-31%	-5%	-4%	-45%	-19%

Gross interest expense, prior to amounts capitalized, increased 8% versus the prior year to $127.3 million. The higher interest expense resulted from overall increased debt levels, partially offset by a lower effective interest rate.

Excluding the impact of non-recurring charges and other unusual items, the effective income tax rate was 35.7%, an increase of .4 percentage points versus the prior-year rate. The higher effective tax rate is primarily due to lower earnings and country mix. For both 1998 and 1997, the effective tax rate benefited from statutory rate reductions in the United Kingdom, as well as favorable adjustments in other jurisdictions. The effective income tax rate based on reported earnings (before cumulative effect of accounting change) was 35.8% in 1998 and 37.6% in 1997.

1997 COMPARED TO 1996

Excluding non-recurring charges and other unusual items, the Company reported 1997 earnings per share of $1.70, an 11% increase over the prior-year results of $1.53. The year-over-year increase in earnings per share of $.17 resulted from $.12 of business growth, $.03 of common stock repurchases, and $.04 of favorable tax rate movements, partially offset by $.02 of unfavorable foreign currency movements. The business growth was principally attributable to cereal volume growth in North America and Latin America, continued double-digit growth in convenience foods volume, and reductions in manufacturing and marketing costs. Foreign currency movements negatively impacted earnings 1% on a consolidated basis. The negative impact of the Lender's Bagels business, acquired in December 1996, was approximately $.05.

<TABLE>
<CAPTION>

The Company achieved the following volume growth during 1997:

<S>	CHANGE <C>
North America	+16.1%
Europe	+2.6%
Asia-Pacific	+1.5%
Latin America	+16.3%

</TABLE>

<TABLE>
<CAPTION>

<S>	<C>
Global total(a)	+11.3%

	CHANGE
Global cereal	+3.4%
Global convenience foods(b)	+47.2%
Global total	+11.3%

</TABLE>

(a) Excluding Lenders, acquired in December 1996, global volume growth was 5.0%.
(b) Excluding Lenders, global convenience foods growth was 12.5%.

Within North America, the Company recovered cereal volume declines of the prior year, and slightly exceeded 1995 results. Growth in Europe was partially offset by a decline in the United Kingdom, while Asia-Pacific was slowed by softness in Australia. Latin America achieved record annual volume results.

Consolidated net sales increased 2% for 1997. The favorable impact of strong volumes was partially offset by unfavorable pricing and product mix movements, and a negative foreign currency impact of 2%. Excluding the Lender's business, consolidated net sales were even with the prior year. On an operating segment basis, net sales versus the prior year were:

<TABLE>
<CAPTION>

<S>	North America <C>	Europe <C>	Asia-Pacific <C>	Latin America <C>	Consolidated <C>
Business	+4%	+2%	+2%	+13%	+4%
Foreign currency impact	-	-5%	-7%	-1%	-2%
Total Change	+4%	-3%	-5%	+12%	+2%

</TABLE>

Margin performance for 1997 and 1996 was:

<TABLE>
<CAPTION>

	1997	1996	CHANGE
<S>	<C>	<C>	<C>
Gross margin	+52.1%	+53.2%	-1.1%
SGA%(a)	-34.6%	-36.8%	+2.2%
Operating margin	+17.5%	+16.4%	+1.1%

</TABLE>

(a) Selling, general and administration expense as a percentage of net sales.

Gross margin performance for 1997 benefited from volume increases and year-over-year operational cost savings. However, these favorable factors were outweighed by the negative impact of prior-year pricing actions. The reduction in SGA% primarily reflects reduced promotional spending in North America.

Operating profit (loss) on an operating segment basis was:

<TABLE>
<CAPTION>

(millions)	North America	Europe	Asia-Pacific	Latin America	Corporate and other	Consolidated
<S>	<C>	<C>	<C>	<C>	<C>	<C>
1997 operating profit (loss) excluding non-recurring charges	$884.8	$305.8	$51.1	$111.8	($160.3)	$1,193.2
1996 operating profit (loss) as reported	$751.2	$249.8	$31.2	$93.5	($166.8)	$958.9
Non-recurring charges	11.1	55.3	30.1	.7	38.9	136.1

</TABLE>

<TABLE>

<S>	<C>	<C>	<C>	<C>	<C>	<C>
1996 operating profit (loss) excluding non-recurring charges	$762.3	$305.1	$61.3	$94.2	($127.9)	$1,095.0
% change - 1997 vs. 1996 excluding non-recurring charges						
Business	+16%	+4%	-9%	+20%	-25%	+11%
Foreign currency impact	--	-4%	-8%	-1%	--	-2%
Total change	+16%	+0%	-17%	+19%	-25%	+9%

</TABLE>

Gross interest expense, prior to amounts capitalized, increased 70% versus the prior year to $117.9 million. The higher interest expense resulted from increased debt levels to fund the Lender's Bagels business acquisition and the Company's common stock repurchase program.

Excluding the impact of non-recurring charges and other unusual items, the effective income tax rate was 35.3%, 1.5 percentage points lower than the prior-year rate. The lower effective tax rate is primarily due to enactment of a 2% statutory rate reduction in the United Kingdom, effective April 1, 1997, as well as favorable adjustments in other jurisdictions. The effective income tax rate based on reported earnings (before cumulative effect of accounting change) was 37.6% in 1997 and 38.2% in 1996. For both 1997 and 1996, the higher reported rate (as compared to the rate excluding the impact of unusual items) primarily relates to certain non-recurring charges for which no tax benefit was provided, based on management's assessment of the likelihood of recovering such benefit in future years.

Other expense for 1996 included a charge of $35.0 million for a contribution to the Kellogg's Corporate Citizenship Fund, a private trust established for charitable donations.

LIQUIDITY AND CAPITAL RESOURCES

The Company's financial condition remained strong throughout 1998. A strong cash flow, combined with a program of issuing commercial paper and maintaining worldwide credit facilities, provides adequate liquidity to meet the Company's operational needs. In August 1998, Moody's lowered its rating on the Company's senior unsecured notes from Aa1 to Aa2 reflecting the Company's increased use of cash for investments in marketing, product development, and other initiatives in highly competitive markets around the world. Management believes that this change will have an insignificant impact on future borrowing costs. The rating agency confirmed the Company's Prime-1 commercial paper rating.

Net cash provided by operating activities was $719.7 million during 1998, compared to $879.8 million in 1997, with the decrease due principally to lower earnings and unfavorable working capital movements. The ratio of current assets to current liabilities was .9 at December 31, 1998, and 1997.

Net cash used in investing activities was $398.0 million, compared to 329.3 million in 1997. The increase was primarily due to property additions, which increased from $312.4 million in 1997 to $373.9 million for 1998.

Net cash used in financing activities was $358.3 million, primarily related to common stock repurchases of $239.7 million and dividend payments of $375.3 million, partially offset by a net

increase in total debt of $241.5 million. The Company's total 1998 per share dividend payment was $.92, a 5.7% increase over the prior-year payment of $.87.

On August 1, 1997, the Company's Board of Directors approved a 2-for-1 stock split to shareholders of record at the close of business August 8, 1997, effective August 22, 1997, and also authorized retirement of 105.3 million common shares (pre-split) held in treasury. All per share and shares outstanding data have been restated retroactively to reflect the stock split.

Under existing plans authorized by the Company's Board of Directors, management spent $239.7 million during 1998 to repurchase 6.3 million shares of the Company's common stock at an average price of $38 per share. The open repurchase authorization, which has been extended through December 31, 1999, was $149.4 million at year-end 1998.

Notes payable primarily consist of commercial paper borrowings in the United States and borrowings under a $200 million revolving credit agreement in Europe with several international banks initiated during December 1998. At December 31, 1998, outstanding borrowings under the revolving credit agreement were $148.5 million with an effective interest rate of 5.5%. U.S. borrowings at December 31, 1998, were $423.3 million with an effective interest rate of 5.2%. Associated with the U.S. borrowings, during September 1997, the Company purchased a $225 million notional, four-year fixed interest rate cap. Under the terms of the cap, if the Federal Reserve AA composite rate on 30-day commercial paper increases to 6.33%, the Company will pay this fixed rate on $225 million of its commercial paper borrowings. If the rate increases to 7.68% or above, the cap will expire. As of year-end 1998, the rate was 4.90%.

In October 1998, the Company issued $200 million of seven-year 4.875% fixed rate U.S. Dollar Notes. Management used the proceeds from this issuance to replace maturing long-term debt. Management entered into a series of interest rate hedges throughout 1998 to effectively fix the interest rate prior to issuance. The effect of the hedges, when combined with original issue discounts, resulted in an overall effective rate for this debt of 6.07%.

To reduce short-term borrowings, on February 4, 1998, the Company issued $400 million of three-year 5.75% fixed rate U.S. Dollar Notes. Accordingly, an equivalent amount of commercial paper borrowings was classified as long-term debt in the December 31, 1997, balance sheet. These Notes were issued under an existing "shelf registration" with the Securities and Exchange Commission, and provide an option to holders to extend the obligation for an additional four years at a predetermined interest rate of 5.63% plus the Company's then-current credit spread. As a result of this option, the effective interest rate on the three-year Notes is 5.23%. Concurrent with this issuance, the Company entered into a $400 million notional, three-year fixed-to-floating interest rate swap, indexed to the Federal Reserve AA composite rate on 30-day commercial paper.

On January 29, 1997, the Company issued $500 million of seven-year 6.625% fixed rate Euro Dollar Notes. This debt was issued primarily to fund the purchase of the Lender's Bagels business, acquired in December 1996. In conjunction with this issuance, the Company settled $500 million notional amount of interest rate forward swap agreements, which effectively fixed the interest rate on the debt at 6.354%. Associated with this debt, during September 1997, the

Company entered into a $225 million notional, 4 1/2-year fixed-to-floating interest rate swap, indexed to the three-month London Interbank Offered Rate (LIBOR). Under the terms of this swap, if three-month LIBOR decreases to 4.71% or below, the swap will expire. At year-end 1998, three-month LIBOR was 5.07%.

To replace other long-term debt maturing during 1997, the Company issued $500 million of four-year 6.125% Euro Dollar Notes on August 5, 1997. In conjunction with this issuance, the Company settled $400 million notional amount of interest rate forward swap agreements that effectively fixed the interest rate on the debt at 6.4%. Associated with this debt, during September 1997, the Company entered into a $200 million notional, four-year fixed-to-floating interest rate swap, indexed to three-month LIBOR.

The ratio of total debt to market capitalization at December 31, 1998, was 16%, up from 10% at December 31, 1997, due to a combination of a lower stock price and higher debt levels in 1998.

NON-RECURRING CHARGES AND OTHER UNUSUAL ITEMS

From 1995 to the present, management has commenced major productivity and operational streamlining initiatives in an effort to optimize the Company's cost structure. The incremental costs of these programs have been reported throughout 1995-1998 as non-recurring charges.

In addition to the non-recurring charges reported for streamlining initiatives, the Company incurred charges for other unusual items. Furthermore, net earnings for 1997 included a cumulative effect of accounting change related to business process reengineering costs. In summary, the following charges were excluded from reported results for purposes of comparison within the "Results of operations" section above:

<TABLE>
<CAPTION>

NON-RECURRING CHARGES & OTHER UNUSUAL ITEMS

Impact on (millions, except per share data)	OPERATING PROFIT	EARNINGS BEFORE INCOME TAXES & CUMULATIVE EFFECT OF ACCOUNTING CHANGE	NET EARNINGS	NET EARNINGS PER SHARE
1998				
<S>	<C>	<C>	<C>	<C>
STREAMLINING INITIATIVES	$70.5	$70.5	$46.3	$.12
1997				
Streamlining initiatives	$161.1	$161.1		
Impairment losses	23.0	23.0		
TOTAL NON-RECURRING CHARGES	$184.1	$184.1	$140.5	$.34

</TABLE>

<TABLE>
<CAPTION>

Impact on (millions, except per share data)	OPERATING PROFIT	EARNINGS BEFORE INCOME TAXES & CUMULATIVE EFFECT OF ACCOUNTING CHANGE	NET EARNINGS	NET EARNINGS PER SHARE
<S>	<C>	<C>	<C>	<C>
CUMULATIVE EFFECT OF ACCOUNTING CHANGE			$ 18.0	$.04
1996				

Streamlining

initiatives	$121.1	$121.1		
Litigation provision	15.0	15.0		
Private trust contribution(a)	--	35.0		
TOTAL	$136.1	$171.1	$120.1	$.28

</TABLE>

(a) Recorded in other income (expense), net.

The 1998 streamlining charges relate primarily to an overhead activity analysis that resulted in the elimination of approximately 550 employees and 240 contractors from the Company's headquarters and North American operations through a combination of involuntary early retirement and severance programs. The charges consist mainly of employee retirement and separation benefits, outplacement services, associated consulting and other related costs. This initiative is expected to result in annual pre-tax savings of $105 million, beginning in 1999. Cash outlays for the 1998 charges during 1998 were $8 million, with the remainder to be spent during 1999. Total cash outlays during 1998 for all streamlining initiatives were approximately $47 million. Refer to Note 3 within Notes to Consolidated Financial Statements for further information.

All streamlining programs commenced since 1995, including the aforementioned 1998 initiatives, are expected to result in the elimination of approximately 3,500 employee positions by the end of 1999, with approximately 95% of this reduction already achieved. These programs are expected to deliver average annual pre-tax savings in excess of $300 million by the year 2000, with approximately $250 million of that amount to be realized in 1999. These savings are not necessarily indicative of current and future incremental earnings due to management's commitment to invest in competitive business strategies, new markets, and growth opportunities.

In addition to the non-recurring charges reported during 1997 and 1996 for streamlining initiatives, the Company incurred charges for the following unusual items:

- During 1997, the Company included in non-recurring charges $23.0 million of asset impairment losses which resulted from an evaluation of the Company's ability to recover components of its investments in the emerging markets of Asia-Pacific.

- During 1996, the Company included in non-recurring charges a provision of $15.0 million for the potential settlement of certain litigation.

- During 1996, the Company included in other expense a charge of $35.0 million for a contribution to the Kellogg's Corporate Citizenship Fund, which is expected to satisfy the charitable-giving plans of this private trust through the year 2000.

The Company's streamlining initiatives will continue throughout 1999. The aforementioned overhead activity analysis will be extended to Europe and Latin America during the first half of 1999. Management believes these initiatives will result in the elimination of several hundred employee positions, requiring separation benefit costs to be incurred. Since the number of employees affected, their job functions, and their locations have not yet been identified, the costs that may result are not yet known. The combination of this Europe and Latin America overhead activity analysis and other ongoing cost reduction programs is expected to result in more than $50 million in incremental savings in 1999.

The foregoing discussion of streamlining initiatives contains forward-looking statements regarding headcount reductions, cash requirements, and realizable savings. Actual amounts may vary depending on the final determination of important factors, such as identification of specific employees to be separated from pre-determined pools, actual amounts of asset removal and relocation costs, dates of asset disposal and costs to maintain assets up to the date of disposal, proceeds from asset disposals, final negotiation of third party contract buy-outs, and other items.

NEW ACCOUNTING PRONOUNCEMENTS

In March 1998, the Accounting Standards Executive Committee of the American Institute of Certified Public Accountants (AcSEC) issued Statement of Position (SOP) 98-1 "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use." SOP 98-1 provides guidance on the classification of software project costs between expense and capital. During April 1998, AcSEC also issued SOP 98-5 "Reporting on Costs of Start-up Activities." SOP 98-5 prescribes that the costs of opening a new facility, commencing business in a new market, or similar start-up activities must be expensed as incurred. Both of these pronouncements are effective for fiscal years beginning after December 15, 1998. SOP 98-1 is to be applied on a prospective basis to costs incurred on or after the date of adoption. The initial application of SOP 98-5 is to be reported as a cumulative effect of a change in accounting principle, if material. Management intends to adopt SOP 98-1 and SOP 98-5 effective January 1, 1999, and does not expect the impact of adoption to have a significant impact on the Company's financial results.

In June 1998, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) #133 "Accounting for Derivative Instruments and Hedging Activities." This Statement establishes accounting and reporting standards for derivative instruments, requiring recognition of the fair value of all derivatives as assets or liabilities on the balance sheet. SFAS #133 is effective for fiscal years beginning after June 15, 1999. Management intends to adopt the provisions of SFAS #133 effective January 1,

2000, and does not expect the impact of adoption to have a significant impact on the Company's financial results.

On November 20, 1997, the Emerging Issues Task Force (EITF) of the FASB reached a consensus in EITF Issue 97-13 that the costs of business process reengineering activities are to be expensed as incurred. This consensus also applies to business process reengineering activities that are part of an information technology project. Beginning in 1996, the Company has undertaken an Enterprise Business Applications (EBA) initiative that combines design and installation of business processes and software packages to achieve global best practices. Under the EBA initiative, the Company had capitalized certain external costs associated with business process reengineering activities as part of the software asset. EITF Issue 97-13 prescribes that previously capitalized business process reengineering costs should be expensed and reported as a cumulative effect of a change in accounting principle. Accordingly, for the fourth quarter of 1997, the Company reported a charge of $18.0 million (net of tax benefit of $7.7 million) or $.04 per share for write-off of business process reengineering costs. Such costs were expensed as incurred during 1998 and the fourth quarter of 1997 and were insignificant.

YEAR 2000

The Company established a global program in 1997 to address the millennium date change issue (the inability of certain computer software, hardware, and other equipment with embedded computer chips to properly process two-digit year-date codes after 1999). The program is structured to address all date-related risks to the Company's business in four major categories: information technology systems, embedded technology systems, suppliers, and customers.

In the information technology and embedded systems categories, the inventories and detailed assessments are complete, remediation is 70% complete, and testing is 50% complete. Remediation and testing are on schedule with planned completion by June 30, 1999, for business critical and important systems.

The Company is spending approximately $70 million during 1998 and 1999 to become Year 2000 compliant. This amount includes the costs of activities described above, as well as costs to replace non-compliant systems for which replacement was accelerated to meet Year 2000 requirements. On a global basis, spending through December 31, 1998 is consistent with the overall percentage of program completion of approximately 70%. These amounts do not include the effect of other planned system initiatives that will contribute to the Year 2000 compliance effort. Management believes that to the extent these other planned system initiatives impact the Year 2000 project, they will be completed as scheduled by mid-1999.

The Company is continuing a contingency planning process started in 1998 designed to mitigate business risks due to unexpected date-related issues within any of the Year 2000 program categories across all key business units worldwide. The testing results for information technology and embedded systems are being coupled with risk assessments of the Company's suppliers, customers, and other internal initiatives, and incorporated into this contingency planning process. These plans are expected to be defined in each of the Company's four operating segments of

North America, Europe, Asia-Pacific, and Latin America by April of 1999, for execution in preparation to the millennium transition.

While management believes that the estimated cost of becoming Year 2000 compliant is not significant to the Company's financial results, failure to complete all the work in a timely manner could result in material financial risk. While management expects all planned work to be completed, there can be no guarantee that all systems will be in compliance by the year 2000, that the systems of other companies and government agencies on which the Company relies will be converted in a timely manner, or that contingency planning will be able to fully address all potential interruptions. Therefore, date-related issues could cause delays in the Company's ability to produce or ship its products, process transactions, or otherwise conduct business in any of its markets.

EURO CONVERSION

On January 1, 1999, eleven European countries (Germany, France, Spain, Italy, Ireland, Portugal, Finland, Luxembourg, Belgium, Austria, and the Netherlands) implemented a single currency zone, the Economic and Monetary Union (EMU). The new currency, the Euro, has become the official currency of the participating countries. Those countries financial markets and banking systems are quoting financial and treasury data in Euros from January 1, 1999.

The Euro will exist alongside the old national currencies during a transition period from January 1, 1999 to January 1, 2002. During this period, entities within participating countries must complete changes which enable them to transact in the Euro. National currencies will be withdrawn no later than July 1, 2002. This transition to the Euro currency will involve changing budgetary, accounting, pricing, costing, and fiscal systems in companies and public administrations, as well as the simultaneous handling of parallel currencies and conversion of legacy data. During the first quarter of 1999, the Euro currency has demonstrated stability. However, this early stability needs to be observed over a longer period before conclusions can be drawn on the currency's long-term viability.

In early 1998, management formed a task force to monitor EMU developments, evaluate the impact of the Euro conversion on the Company's operations, and develop and execute action plans, as necessary. The task force has completed a full EMU impact assessment identifying company-wide, cross-functional effects of the Euro. Required business strategy, system, and process changes within the Company's European region are underway with certain markets already Euro compliant. Many of these changes will be made in conjunction with other significant technology initiatives currently under way, and will be completed in accordance with the Company's timetable for transacting with its suppliers and customers in the Euro. Results of task force assessments indicate that most suppliers and customers desire to initiate Euro transactions during 2000 and 2001.

Management expects to complete financial, operational, and manufacturing system conversions during 2001. Although Management currently believes the Company will be able to accommodate any required changes in its operations, there can be no assurance that the Company, its

customers, suppliers, financial service providers, or government agencies will meet all of the Euro currency requirements on a timely basis. Such failure to complete the necessary work could result in material financial risk.

1999 OUTLOOK

Management is not aware of any adverse trends that would materially affect the Company's strong financial position. Should suitable investment opportunities or working capital needs arise that would require additional financing, management believes that the Company's strong credit rating, balance sheet, and earnings history provide a base for obtaining additional financial resources at competitive rates and terms. Based on the expectation of cereal volume growth, and strong results from product innovation and the continued global roll-out of convenience foods, management believes the Company is well-positioned to deliver sales and earnings growth for the full year 1999. The Company will continue to identify and pursue streamlining and productivity initiatives to optimize its cost structure.

The Company is currently reviewing strategies related to the Lender's Bagels business, given its performance since acquisition. The Company has evaluated the recoverability of Lender's long-lived assets as of December 31, 1998, and although this evaluation has not resulted in the recognition of an impairment loss, management expects to update its assessment during 1999.

Additional expectations for 1999 include a gross profit margin of 51-52%, an SGA% of 36-37%, an effective income tax rate of 36-37%, and capital spending of approximately $270 million.

The foregoing projections concerning impact of future borrowing costs, accounting changes, volume growth, profitability, capital spending, and common stock repurchase activity are forward-looking statements that involve risks and uncertainties. Actual results may differ materially due to the impact of competitive conditions, marketing spending and/or incremental pricing actions on actual volumes and product mix; the levels of spending on system initiatives, properties, business opportunities, continued streamlining initiatives, and other general and administrative costs; raw material price and labor cost fluctuations; foreign currency exchange rate fluctuations; changes in statutory tax law; interest rates available on short-term financing; the impact of stock market conditions on common stock repurchase activity; and other items.

Kellogg Company and Subsidiaries
CONSOLIDATED STATEMENT OF EARNINGS
<TABLE>
<CAPTION>

Year ended December 31,

(millions, except per share data)	1998	1997	1996
<S>	<C>	<C>	<C>
NET SALES	$6,762.1	$6,830.1	$6,676.6
Costs of goods sold	$3,282.6	3,270.1	3,122.9
Selling and administrative expense	2,513.9	2,366.8	2,458.7
Non-recurring charges	70.5	184.1	136.1
OPERATING PROFIT	895.1	1,009.1	958.9
Interest expense	119.5	108.3	65.6
Other income (expense), net	6.9	3.7	(33.4)
EARNINGS BEFORE INCOME TAXES AND CUMULATIVE EFFECT OF ACCOUNTING CHANGE	782.5	904.5	859.9
Income taxes	279.9	340.5	328.9
EARNINGS BEFORE CUMULATIVE EFFECT OF ACCOUNTING CHANGE	502.6	564.0	531.0
Cumulative effect of accounting change (net of tax)	--	(18.0)	--
NET EARNINGS	$ 502.6	$ 546.0	$ 531.0
PER SHARE AMOUNTS (BASIC AND DILUTED):			
EARNINGS BEFORE CUMULATIVE EFFECT OF ACCOUNTING CHANGE	$ 1.23	$ 1.36	$ 1.25
Cumulative effect of accounting change	--	(.04)	--
NET EARNINGS PER SHARE	$ 1.23	$ 1.32	$ 1.25

</TABLE>
Refer to Notes to Consolidated Financial Statements.

Kellogg Company and Subsidiaries
CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

<TABLE>
<CAPTION>

	Common stock		Capital in		Treasury stock		Accumulated other
(millions)	shares	amount	excess of par value	Retained earnings	shares	amount	comprehensive income
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Balance, January 1, 1996	311.1	$77.8	$105.2	$3,963.0	94.4	($2,361.2)	($193.9)
Common stock repurchases					7.4	(535.7)	
Net earnings				531.0			
Dividends				(343.7)			
Other comprehensive income							27.6
Stock options exercised and other	0.4	0.1	18.7		0.1	(6.5)	
BALANCE, DECEMBER 31, 1996	311.5	77.9	123.9	4,150.3	101.9	(2,903.4)	(166.3)
Common stock repurchases (pre-split)					3.9	(290.9)	
Stock options exercised and other (pre-split)	0.6	0.1	31.9		--	(3.9)	
Retirement of treasury stock	(105.3)	(26.3)	(55.8)	(3,095.8)	(105.3)	3,177.9	
Two-for-one stock split	206.8	51.7	(51.7)		0.5	------	
Common stock repurchases (post-split)					3.1	(135.1)	
Net earnings				546.0			
Dividends				(360.1)			
Other comprehensive income							(115.6)
Stock options exercised and other (post-split)	1.2	0.3	44.3		--	(1.9)	

BALANCE, DECEMBER 31, 1997	414.8	103.7	92.6	1,240.4	4.1	(157.3)	(281.9)
Common stock repurchases					6.3	(239.7)	
Net earnings				502.6			
Dividends				(375.3)			
Other comprehensive income							(10.5)
Stock options exercised and other	0.5	0.1	12.4		(0.1)	2.7	
BALANCE, DECEMBER 31, 1998	415.3	$103.8	$105.0	$1,367.7	10.3	($394.3)	($292.4)

</TABLE>

<TABLE>
<CAPTION>

(millions)	Total shareholders' equity	Total comprehensive income
<S>	<C>	<C>
Balance, January 1, 1996	$1,590.9	
Common stock repurchases	(535.7)	
Net earnings	531.0	$531.0
Dividends	(343.7)	
Other comprehensive income	27.6	27.6
Stock options exercised and other	12.3	
BALANCE, DECEMBER 31, 1996	1,282.4	$558.6
Common stock repurchases (pre-split)	(290.9)	
Stock options exercised and other (pre-split)	28.1	
Retirement of treasury stock	------	
Two-for-one stock split	------	
Common stock repurchases (post-split)	(135.1)	
Net earnings	546.0	$546.0
Dividends	(360.1)	
Other comprehensive income	(115.6)	(115.6)
Stock options exercised and other (post-split)	42.7	
BALANCE, DECEMBER 31, 1997	997.5	$430.4
Common stock repurchases	(239.7)	
Net earnings	502.6	$502.6
Dividends	(375.3)	
Other comprehensive income	(10.5)	(10.5)
Stock options exercised and other	15.2	
BALANCE, DECEMBER 31, 1998	$889.8	$492.1

</TABLE>

Refer to Notes to Consolidated Financial Statements.

15

Kellogg Company and Subsidiaries
CONSOLIDATED BALANCE SHEET

<TABLE>
<CAPTION>

At December 31,

(millions, except share data)	1998	1997
CURRENT ASSETS		
<S>	<C>	<C>
Cash and cash equivalents	$136.4	$173.2
Accounts receivable, less allowances of $12.9 and $7.5	693.0	587.5
Inventories	451.4	434.3
Other current assets	215.7	272.7
TOTAL CURRENT ASSETS	1,496.5	1,467.7
PROPERTY, NET	2,888.8	2,773.3

OTHER ASSETS	666.2	636.6
TOTAL ASSETS	$5,051.5	$4,877.6
CURRENT LIABILITIES		
Current maturities of long-term debt	$1.1	$211.2
Notes payable	620.4	368.6
Accounts payable	386.9	328.0
Other current liabilities	710.1	749.5
TOTAL CURRENT LIABILITIES	1,718.5	1,657.3
LONG-TERM DEBT	1,614.5	1,415.4
OTHER LIABILITIES	828.7	807.4
SHAREHOLDERS' EQUITY		
Common stock, $.25 par value,500,000,000 shares authorized		
Issued: 415,343,626 shares in 1998 and 414,823,142 in 1997	103.8	103.7
Capital in excess of par value	105.0	92.6
Retained earnings	1,367.7	1,240.4
Treasury stock, at cost:		
10,346,524 shares in 1998 and 4,143,124 in 1997	(394.3)	(157.3)
Accumulated other comprehensive income	(292.4)	(281.9)
TOTAL SHAREHOLDERS' EQUITY	889.8	997.5
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$5,051.5	$4,877.6

</TABLE>

Refer to Notes to Consolidated Financial Statements.

Kellogg Company and Subsidiaries
CONSOLIDATED STATEMENT OF CASH FLOWS

<TABLE>
<CAPTION>

Year ended December 31,

(millions)	1998	1997	1996
<S>	<C>	<C>	<C>
OPERATING ACTIVITIES			
Net earnings	$ 502.6	$ 546.0	$ 531.0
Items in net earnings not requiring (providing) cash:			
Depreciation and amortization	278.1	287.3	251.5
Deferred income taxes	46.2	38.5	58.0
Non-recurring charges, net of cash paid	62.2	133.8	90.6
Other	21.7	9.5	14.5
Pension and other postretirement benefit contributions	(88.8)	(114.5)	(156.8)
Changes in operating assets and liabilities	(102.3)	(20.8)	(77.3)
NET CASH PROVIDED BY OPERATING ACTIVITIES	719.7	879.8	711.5
INVESTING ACTIVITIES			
Additions to properties	(373.9)	(312.4)	(307.3)
Acquisitions of businesses	(27.8)	(25.4)	(505.2)
Property disposals	6.8	5.9	11.6
Other	(3.1)	2.6	14.1
NET CASH USED IN INVESTING ACTIVITIES	(398.0)	(329.3)	(786.8)
FINANCING ACTIVITIES			
Net issuances (reductions) of notes payable,			
with maturities less than or equal to 90 days	(152.9)	(374.7)	906.6
Issuances of notes payable, with maturities greater than 90 days	5.5	4.8	137.0
Reductions of notes payable, with maturities greater than 90 days	(.8)	(14.1)	(79.0)
Issuances of long-term debt	600.0	1,000.0	--
Reductions of long-term debt	(210.3)	(507.9)	(3.4)
Net issuances of common stock	15.2	70.7	12.2
Common stock repurchases	(239.7)	(426.0)	(535.7)
Cash dividends	(375.3)	(360.1)	(343.7)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	(358.3)	(607.3)	94.0
Effect of exchange rate changes on cash	(.2)	(13.8)	3.2
Increase (decrease) in cash and cash equivalents	(36.8)	(70.6)	21.9

Cash and cash equivalents at beginning of year	173.2	243.8	221.9
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 136.4	$ 173.2	$ 243.8

</TABLE>
Refer to Notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
Kellogg Company and Subsidiaries

NOTE 1 ACCOUNTING POLICIES

Consolidation
The consolidated financial statements include the accounts of Kellogg Company and its majority-owned subsidiaries. Intercompany balances and transactions are eliminated.

Certain amounts in the prior year financial statements have been reclassified to conform to the current year presentation.

Cash and cash equivalents
Highly liquid temporary investments with original maturities of less than three months are considered to be cash equivalents. The carrying amount approximates fair value.

Inventories
Inventories are valued at the lower of cost (principally average) or market.

Property
Fixed assets are recorded at cost and depreciated over estimated useful lives using straight-line methods for financial reporting and accelerated methods for tax reporting. Cost includes an amount of interest associated with significant capital projects.

Goodwill and other intangible assets
Intangible assets are amortized principally on a straight-line basis over the estimated periods benefited, generally 40 years for goodwill and periods ranging from 5 to 40 years for other intangible assets. The realizability of goodwill and other intangibles is evaluated periodically when events or circumstances indicate a possible inability to recover the carrying amount. Evaluation is based on various analyses, including cash flow and profitability projections.

Advertising
The costs of advertising are generally expensed as incurred.

Recently adopted pronouncements
In 1998, the Company adopted several statements issued by the Financial Accounting Standards Board (FASB). In June 1997, the FASB issued Statement of Financial Accounting Standards (SFAS) #130 "Reporting Comprehensive Income," which requires companies to disclose all items recognized under accounting standards as components of comprehensive income. In June 1997, the FASB issued SFAS #131 "Disclosures about Segments of an Enterprise and Related Information," which requires certain information to be reported about operating segments consistent with management's internal view of the Company. In February 1998, the FASB issued SFAS #132 "Employers' Disclosures

about Pensions and Other Postretirement Benefits," which revises and standardizes disclosures for pension and other postretirement benefit plans.

On November 20, 1997, the Emerging Issues Task Force (EITF) of the FASB reached a consensus in EITF 97-13 that the costs of business process reengineering activities are to be expensed as incurred. This consensus also applies to business process reengineering activities that are part of an information technology project. Beginning in 1996, the Company has undertaken an Enterprise Business Applications (EBA) initiative that combines design and installation of business processes and software packages to achieve global best practices. Under the EBA initiative, the Company had capitalized certain external costs associated with business process reengineering activities as part of the software asset. EITF Issue 97-13 prescribes that previously capitalized business process reengineering costs should be expensed and reported as a cumulative effect of a change in accounting principle. Accordingly, for the fourth quarter of 1997, the Company reported a charge of $18.0 million (net of tax benefit of $7.7 million) or $.04 per share for write-off of business process reengineering costs. Such costs were expensed as incurred during 1998 and the fourth quarter of 1997 and were insignificant.

Recently issued pronouncements
In March 1998, the Accounting Standards Executive Committee of the American

Institute of Certified Public Accountants (AcSEC) issued Statement of Position (SOP) 98-1 "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use." SOP 98-1 provides guidance on the classification of software project costs between expense and capital. During April 1998, AcSEC also issued SOP 98-5 "Reporting on Costs of Start-up Activities." SOP 98-5 prescribes that the costs of opening a new facility, commencing business in a new market, or similar start-up activities must be expensed as incurred. Both of these pronouncements are effective for fiscal years beginning after December 15, 1998. SOP 98-1 is to be applied on a prospective basis to costs incurred on or after the date of adoption. The initial application of SOP 98-5 is to be reported as a cumulative effect of a change in accounting principle, if material. Management intends to adopt SOP 98-1 and SOP 98-5 effective January 1, 1999.

In June 1998, the FASB issued SFAS #133 "Accounting for Derivative Instruments and Hedging Activities." This Statement establishes accounting and reporting standards for derivative instruments, requiring recognition of the fair value of all derivatives as assets or liabilities on the balance sheet. SFAS #133 is effective for fiscal years beginning after June 15, 1999. Management intends to adopt the provisions of SFAS #133 effective January 1, 2000.

The impact of adoption of these pronouncements on the Company's financial results is not expected to be significant.

Common stock split
On August 1, 1997, the Company's Board of Directors approved a 2-for-1 stock split to shareholders of record at the close of business August 8, 1997, effective August 22, 1997, and also authorized retirement of 105.3 million common shares (pre-split) held in treasury.

All per share and shares outstanding data in the Consolidated Statement of Earnings and Notes to Consolidated Financial Statements have been retroactively restated to reflect the stock split.

Stock compensation
The Company follows Accounting Principles Board Opinion (APB) #25, "Accounting for Stock Issued to Employees", in accounting for its employee stock options and other stock-based compensation. Under APB #25, because the exercise price of the Company's employee stock options equals the market price of the underlying stock on the date of the grant, no compensation expense is recognized. As permitted, the Company has elected to adopt the disclosure provisions only of SFAS #123, "Accounting for Stock-Based Compensation." (Refer to Note 7 for further information.)

Net earnings per share
Basic net earnings per share is determined by dividing net earnings by the weighted average number of common shares outstanding during the period. Weighted average shares outstanding, in millions, were 407.8, 414.1, and 424.9 for 1998, 1997, and 1996, respectively. Diluted net earnings per share is similarly determined except that the denominator is increased to include the number of additional common shares that would have been outstanding if all dilutive potential common shares had been issued. Dilutive potential common shares are principally comprised of employee stock options issued by the Company and had an insignificant impact on the computation of diluted net earnings per share during the periods presented. Weighted average shares outstanding, in millions, for purposes of computing diluted net earnings per share were 408.6, 415.2, and 426.4 for 1998, 1997, and 1996, respectively.

Comprehensive income
Comprehensive income includes all changes in equity during a period except those resulting from investments by or distributions to shareholders. For the Company, comprehensive income for all periods presented consists solely of net earnings and foreign currency translation adjustments pursuant to SFAS #52, "Foreign Currency Translation," as follows:

<TABLE>
<CAPTION>

(millions)	1998	1997	1996
<S>	<C>	<C>	<C>
Net earnings	$502.6	$546.0	$531.0
Other comprehensive income (loss):			
Foreign currency translation adjustments	(11.1)	(112.1)	26.6
Related tax effect	.6	(3.5)	1.0
	(10.5)	(115.6)	27.6

Total comprehensive income	$492.1	$430.4	$558.6

</TABLE>

Use of estimates
The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 ACQUISITION

On December 16, 1996, the Company purchased certain assets and liabilities of the Lender's Bagels business from Kraft Foods, Inc. for $466 million in cash, including related acquisition costs. The acquisition was accounted for as a purchase. The results of Lender's operations from the date of the acquisition to December 31, 1996, were not significant. The acquisition was initially financed through commercial paper borrowings that were replaced with long-term debt in January 1997. Intangible assets included in the allocation of purchase price consisted of goodwill and trademarks of $329 million and non-compete covenants of $20 million. The goodwill and trademarks are being amortized over 40 years and the non-compete covenants are being amortized over 5 years.

The unaudited pro forma combined historical results, as if the Lender's Bagels business had been acquired at the beginning of fiscal 1996, are estimated to be net sales of $6.87 billion, net earnings of $524.3 million, and net earnings per share of $1.23. The pro forma results are not necessarily indicative of what actually would have occurred if the acquisition had been completed as of the beginning of the fiscal period presented, nor are they necessarily indicative of future consolidated results.

NOTE 3 NON-RECURRING CHARGES

Operating profit for 1998 includes non-recurring charges of $70.5 million ($46.3 million after tax or $.12 per share) for streamlining initiatives.

Operating profit for 1997 includes non-recurring charges of $184.1 million ($140.5 million after tax or $.34 per share), comprised of $161.1 million for streamlining initiatives and $23.0 million for asset impairment losses.

Operating profit for 1996 includes non-recurring charges of $136.1 million ($97.8 million after tax or $.23 per share), comprised of $121.1 million for streamlining initiatives and $15.0 million for potential settlement of certain litigation.

Streamlining initiatives
From 1995 to the present, management has commenced major productivity and operational streamlining initiatives in an effort to optimize the Company's cost structure. The incremental costs of these programs have been reported throughout 1995-1998 as non-recurring charges.

The 1998 streamlining charges relate primarily to an overhead activity analysis that result in the elimination of approximately 550 employees and 240 contractors from the Company's headquarters and North American operations through a combination of involuntary early retirement and severance programs. The charges consist mainly of employee retirement and separation benefits, outplacement services, associated consulting and other related costs. Cash outlays for the 1998 charges during 1998 were $8 million, with the remainder to be spent during 1999. Total cash outlays during 1998 for all streamlining initiatives were approximately $47 million.

The 1997 charges for streamlining initiatives relate principally to management's plan to optimize the Company's pan-European operations, as well as ongoing productivity programs in the United States and Australia. A major component of the pan-European initiatives was the late-1997 closing of plants and separation of employees in Riga, Latvia; Svendborg, Denmark; and Verola, Italy. Approximately 50% of the total 1997 streamlining charges consist of manufacturing asset write-downs, with the balance comprised of current and anticipated cash outlays for employee separation benefits, equipment removal, production redeployment, associated management consulting, and similar costs. Total cash outlays during 1997 for streamlining initiatives were approximately $85 million.

The 1996 charges for streamlining initiatives result from management's actions to consolidate and reorganize operations in the United States, Europe, and other international locations. Cash outlays for streamlining initiatives were approximately $120 million in 1996. All streamlining programs commenced since 1995, including the aforementioned 1998 initiatives, are expected to result in the elimination of approximately 3,500 employee positions by the end of 1999, with approximately 95% of this reduction already achieved.

The components of the streamlining charges, as well as reserve balances remaining at December 31, 1998, 1997, and 1996, were:

<TABLE>
<CAPTION>

(millions)	Employee retirement & severance benefits (a)	Asset write-offs	Asset removal	Other costs	Total
<S>	<C>	<C>	<C>	<C>	<C>
Remaining reserve at December 31, 1995	$57.5	$ -	$36.5	$ -	$94.0
1996 streamlining charges (b)	31.4	37.5	13.5	38.7	121.1
Amounts utilized during 1996	(65.0)	(37.5)	(19.6)	(38.7)	(160.8)
Remaining reserve at December 31, 1996	23.9	-	30.4	-	54.3
1997 streamlining charges	22.4	78.1	19.3	41.3	161.1
Amounts utilized during 1997	(22.7)	(78.1)	(21.4)	(41.3)	(163.5)
Remaining reserve at December 31, 1997	23.6	-	28.3	-	51.9
1998 streamlining charges	59.8	5.5	3.0	2.2	70.5
Amounts utilized during 1998	(43.8)	(5.5)	(19.4)	(2.2)	(70.9)
Remaining reserve at December 31, 1998	$39.6	$ -	$11.9	$ -	$51.5

</TABLE>

(a) Includes approximately $5 and $18 of pension and postretirement health care curtailment losses and special termination benefits recognized in 1996 and 1998, respectively. (Refer to Notes 8 and 9.)

(b) Includes $23 of reversals of prior-year reserves due to lower than expected employee severance payments and asset removal costs, and other favorable factors.

Other
In addition to the non-recurring charges reported for streamlining initiatives, the Company incurred charges for the following unusual items:

- During 1997, asset impairment losses of $23.0 million, which resulted from evaluation of the Company's ability to recover components of its investments in the emerging markets of Asia-Pacific.

- During 1996, a provision of $15.0 million for the potential settlement of certain litigation.

1999 events
The Company's streamlining initiatives will continue throughout 1999. The aforementioned overhead activity analysis will be extended to Europe and Latin America during the first half of 1999. Management believes these initiatives will result in the elimination of several hundred employee positions, requiring separation benefit costs to be incurred. Since the number of employees affected, their job functions, and their locations have not yet been identified, the costs that may result are not yet known.

NOTE 4 OTHER INCOME AND EXPENSE

Other income and expense includes non-operating items such as interest income, foreign exchange gains and losses, and charitable donations.

Other expense for 1996 includes a charge of $35.0 million ($22.3 million after tax or $.05 per share) for a contribution to the Kellogg's Corporate Citizenship Fund, a private trust established for charitable donations. This contribution is expected to satisfy the charitable-giving plans of this trust through the year 2000.

NOTE 5 LEASES

Operating leases are generally for equipment and warehouse space. Rent expense on all operating leases was $36.5 million in 1998, $38.6 million in 1997, and $37.9 million in 1996. At December 31, 1998, future minimum annual rental commitments under non-cancelable operating leases totaled $62 million consisting of (in millions): 1999-$16; 2000-$12; 2001-$9; 2002-$8; 2003-$6; 2004 and beyond-$11.

NOTE 6 DEBT

Notes payable consist of commercial paper borrowings in the United States at the highest credit rating available, borrowings against a revolving credit agreement in Europe and, to

a lesser extent, bank loans of foreign subsidiaries at competitive market rates. U.S. borrowings at December 31, 1998, were $423.3 million with an effective interest rate of 5.2%. U.S. borrowings at December 31, 1997 (including $400 million classified in long-term debt, as discussed in (d) below), were $744.2 million with an effective interest rate of 5.7%. Associated with these borrowings, during September 1997, the Company purchased a $225 million notional, four-year fixed interest rate cap. Under the terms of the cap, if the Federal Reserve AA composite rate on 30-day commercial paper increases to 6.33%, the Company will pay this fixed rate on $225 million of its commercial paper borrowings. If the rate increases to 7.68% or above, the cap will expire. As of year-end 1998, the rate was 4.90%.

In December 1998, the Company entered into a $200 million, three-year revolving credit agreement with several international banks. At December 31, 1998, outstanding borrowings under this agreement were $148.5 million with an effective interest rate of 5.5%. Additionally, the Company has entered into financing arrangements which provide for the sale of future foreign currency revenues. As of December 31, 1998, the Company had committed to borrowings during 1999 in the cumulative principle amount of approximately $280 million. No borrowings were outstanding under these arrangements at December 31, 1998 or 1997. At December 31, 1998, the Company had $715.9 million of total short-term lines of credit, of which $543.6 million were unused and available for borrowing on an unsecured basis.

Long-term debt at year-end consisted of:

<TABLE>
<CAPTION>

(millions)		1998	1997
<S>		<C>	<C>
(a)	Seven-Year Notes due 2005	$ 200.0	$ -
(b)	Seven-Year Notes due 2004	500.0	500.0
(c)	Four-Year Notes due 2001	500.0	500.0
(d)	Three-Year Notes due 2001	400.0	-
(e)	Five-Year Notes due 1998	-	200.0
(d)	Commercial paper	-	400.0
	Other	15.6	26.6
		1,615.6	1,626.6
	Less current maturities	(1.1)	(211.2)
	Balance, December 31	$1,614.5	$1,415.4

</TABLE>

(A) In October 1998, the Company issued $200 of seven-year 4.875% fixed rate U.S. Dollar Notes to replace maturing long-term debt. The Company entered into a series of interest rate hedges throughout 1998 to effectively fix the interest rate prior to issuance. The effect of the hedges, when combined with original issue discounts, resulted in an effective interest rate on this debt of 6.07%.

(B) In January 1997, the Company issued $500 of seven-year 6.625% fixed rate Euro Dollar Notes. In conjunction with this issuance, the Company settled $500 notional amount of interest rate forward swap agreements, which effectively fixed the interest rate on the debt at 6.354%. Associated with this debt, during September 1997, the Company entered into a $225 notional, 4 1/2 fixed-to-floating interest rate swap, indexed to the three-month London Interbank Offered Rate (LIBOR). Under the terms of this swap, if three-month LIBOR decreases to 4.71% or below, the swap will expire. At year-end 1998, three-month LIBOR was 5.07%.

(C) In August 1997, the Company issued $500 of four-year 6.125% Euro Dollar Notes. In conjunction with this issuance, the Company settled $400 notional amount of interest rate forward swap agreements which effectively fixed the interest rate on the debt at 6.4%. Associated with this debt, during September 1997, the Company entered into a $200 notional, four-year fixed-to-floating interest rate swap, indexed to three-month LIBOR.

(D) At December 31, 1997, $400 of the Company's commercial paper was classified as long-term, based on the Company's intent and ability to refinance as evidenced by an issuance of $400 of three-year 5.75% fixed rate U.S. Dollar Notes on February 4, 1998. These Notes were issued under an existing "shelf registration" with the Securities and Exchange Commission, and provide an option to holders to extend the obligation for an additional four years at a predetermined interest rate of 5.63% plus the

Company's then-current credit spread. As a result of this option, the effective interest rate on the three-year Notes is 5.23%. Concurrent with this issuance, the Company entered into a $400 notional, three-year fixed-to-floating interest rate swap, indexed to the Federal Reserve AA Composite Rate on 30-day commercial paper.

(e) In October 1993, the Company issued $200 of five-year 6.25% Euro Canadian Dollar Notes which were swapped into 4.629% fixed rate U.S. Dollar obligations for the duration of the five-year term.

Scheduled principal repayments on long-term debt are (in millions): 1999-$1; 2000-$6; 2001-$900; 2002-$5; 2003-$2; 2004 and beyond-$702.

Interest paid was (in millions): 1998-$113; 1997-$85; 1996-$67. Interest expense capitalized as part of the construction cost of fixed assets was (in millions): 1998-$7.8; 1997-$9.6; 1996-$3.8.

NOTE 7 STOCK OPTIONS

The Key Employee Long-Term Incentive Plan provides for benefits to be awarded to executive-level employees in the form of stock options, performance shares, performance units, incentive stock options, restricted stock grants, and other stock-based awards. Options granted under this plan generally vest over two years and, prior to September 1997, vested at the date of grant. The Bonus Replacement Stock Option Plan allows certain key executives to receive stock options that generally vest immediately in lieu of part or all of their respective bonus. Options granted under this plan are issued from the Key Employee Long-Term Incentive Plan. The Kellogg Employee Stock Ownership Plan is designed to offer stock and other incentive awards based on Company performance to employees who are not eligible to participate in the Key Employee Long-Term Incentive Plan. Options awarded under the Kellogg Employee Stock Ownership Plan are subject to graded vesting over a five-year period. Under these plans (the "stock option plans"), options are granted with exercise prices equal to the fair market value of the Company's common stock at the time of grant, exercisable for a 10-year period following the date of grant, subject to vesting rules.

The Key Employee Long-Term Incentive Plan contains an accelerated ownership feature ("AOF"). An AOF option is granted when Company stock is surrendered to pay the exercise price of a stock option. The holder of the option is granted an AOF option for the number of shares surrendered. For all AOF options, the original expiration date is not changed but the options vest immediately.

As permitted by SFAS #123 "Accounting for Stock-Based Compensation," the Company has elected to account for the stock option plans under APB #25 "Accounting for Stock Issued to Employees." Accordingly, no compensation cost has been recognized for these plans.

For purposes of pro forma disclosures, the estimated fair value of the options is amortized to expense over the options' vesting period. Had compensation cost for the stock option plans been determined based on the fair value at the grant date consistent with SFAS #123, the Company's net earnings and earnings per share are estimated as follows:

<TABLE>
<CAPTION>

(millions, except per share data)	1998	1997	1996

Net earnings			
As reported	$ 502.6	$ 546.0	$ 531.0
Pro forma	$ 484.4	$ 520.8	$ 514.1
Net earnings per share (basic and diluted)			
As reported	$ 1.23	$ 1.32	$ 1.25
Pro forma	$ 1.19	$ 1.26	$ 1.21

The fair value of each option grant was estimated at the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions:

	1998	1997	1996
Risk-free interest rate	5.56%	6.31%	6.16%
Dividend yield	2.00%	1.97%	2.30%
Volatility	21.28%	19.83%	19.16%
Average expected term (years)	3.47	3.52	3.34
Fair value of options granted	$8.45	$7.48	$6.32

Under the Key Employee Long-Term Incentive Plan, options for 9.8 million and 13.2 million shares were available for grant at December 31, 1998 and 1997, respectively. Under the Kellogg Employee Stock Ownership Plan, options for 6.0 million and 6.9 million shares were available for grant at December 31, 1998 and 1997, respectively. Transactions under these plans were:

(millions, except per share data)	1998	1997	1996
Under option, January 1	12.4	11.2	8.4
Granted	6.8	6.0	5.2
Exercised	(1.7)	(4.5)	(2.1)
Cancelled	(1.1)	(0.3)	(0.3)
Under option, December 31	16.4	12.4	11.2
Exercisable, December 31	8.7	8.1	7.6
Shares available, December 31, for options that may be granted	15.8	20.1	23.8
	Average prices per share		
Under option, January 1	$ 35	$ 33	$ 30
Granted	43	36	38
Exercised	34	33	30
Cancelled	33	34	30
Under option, December 31	$ 38	$ 35	$ 33
Exercisable, December 31	$ 36	$ 36	$ 35

Employee stock options outstanding and exercisable under these plans as of December 31, 1998, were:

(millions, except per share data)	Outstanding			Exercisable	
Range of exercise prices	Number of Options	Weighted average exercise price	Weighted average remaining contractual life (yrs.)	Number of Options	Weighted average exercise price
$15 - 34	5.1	$ 31	5.0	3.5	$ 30
35 - 39	3.9	38	4.9	2.6	38
40 - 44	6.6	44	1.8	1.8	43
45 - 50	0.8	48	5.7	0.8	48

16.4	8.7

</TABLE>

NOTE 8 PENSION BENEFITS

The Company has a number of U.S. and foreign pension plans to provide retirement benefits for its employees. Benefits for salaried employees are generally based on salary and years of service, while union employee benefits are generally a negotiated amount for each year of service. Plan funding strategies are influenced by tax regulations. Plan assets consist primarily of equity securities with smaller holdings of bonds, real estate, and other investments. Investment in Company common stock represented 2.4% and 4.2% of consolidated plan assets at December 31, 1998, and 1997, respectively.

The components of pension expense were:

<TABLE>
<CAPTION>

(millions)	1998	1997	1996
<S>	<C>	<C>	<C>
Service cost	$ 41.3	$ 29.9	$ 27.6
Interest cost	81.3	79.6	72.8
Expected return on plan assets	(113.9)	(104.7)	(95.0)
Amortization of unrecognized transition obligation	0.7	(0.3)	(0.5)
Amortization of unrecognized prior service cost	7.5	7.9	7.2
Recognized losses	10.0	4.7	5.2
Curtailment loss and special termination benefits	17.4	-	4.0
Pension expense - Company plans	44.3	17.1	21.3
Pension expense - multiemployer plans	1.2	1.9	2.0
Total pension expense	$ 45.5	$ 19.0	$ 23.3

</TABLE>

The worldwide weighted average actuarial assumptions were:

<TABLE>
<CAPTION>

	1998	1997	1996
<S>	<C>	<C>	<C>
Discount rate	6.7%	7.6%	7.9%
Long-term rate of compensation increase	4.9%	4.9%	5.2%
Long-term rate of return on plan assets	10.5%	10.5%	10.5%

</TABLE>

The aggregate change in projected benefit obligation, change in plan assets, and funded status were:

<TABLE>
<CAPTION>

(millions)	1998	1997
CHANGE IN PROJECTED BENEFIT OBLIGATION		
<S>	<C>	<C>
Projected benefit obligation at beginning of year	$ 1,133.4	$ 1,036.3
Service cost	41.3	29.9
Interest cost	81.3	79.6
Plan participants' contributions	1.4	-
Amendments	9.6	1.3
Actuarial loss	133.6	41.1
Benefits paid	(70.5)	(62.7)
Other	1.1	7.9
Projected benefit obligation at end of year	$ 1,331.2	$ 1,133.4
CHANGE IN PLAN ASSETS		
Fair value of plan assets at beginning of year	$ 1,209.0	$ 1,048.7
Actual return on plan assets	132.6	210.4
Employer contribution	54.7	38.8
Plan participants' contributions	1.4	-

Benefits paid	(70.5)	(62.7)
Other	(8.9)	(26.2)
Fair value of plan assets at end of year	$ 1,318.3	$ 1,209.0
FUNDED STATUS	$ (12.9)	$ 75.6
Unrecognized net loss	111.5	7.4
Unrecognized transition amount	4.2	4.4
Unrecognized prior service cost	36.2	47.2
Prepaid pension	$ 139.0	$ 134.6
AMOUNTS RECOGNIZED IN THE STATEMENT OF FINANCIAL POSITION CONSIST OF		
Prepaid benefit cost	$ 213.6	$ 185.4
Accrued benefit liability	(88.4)	(61.5)
Intangible asset	13.8	10.7
Net amount recognized	$ 139.0	$ 134.6

</TABLE>

The projected benefit obligation, accumulated benefit obligation, and fair value of plan assets for pension plans with accumulated benefit obligations in excess of plan assets were, in millions, $104.6, $84.5, and $8.3, respectively, as of December 31, 1998, and $87.1, $69.1, and $15.4, respectively, as of December 31, 1997.

All gains and losses, other than curtailment losses and special termination benefits, are recognized over the average remaining service period of active plan participants. Curtailment losses and special termination benefits recognized in 1998 and 1996 relate to operational workforce reduction initiatives undertaken during these years and are recorded as a component of non-recurring charges. (Refer to Note 3 for further information.)

Certain of the Company's subsidiaries sponsor 401(k) or similar savings plans for active employees. Expense related to these plans was (in millions): 1998-$16; 1997-$16; 1996-$17.

NOTE 9 NONPENSION POSTRETIREMENT BENEFITS

Certain of the Company's North American subsidiaries provide health care and other benefits to substantially all retired employees, their covered dependents, and beneficiaries. Generally, employees are eligible for these benefits when one of the following service/age requirements is met: 30 years and any age; 20 years and age 55; 5 years and age 62. Plan assets consist primarily of equity securities with smaller holdings of bonds.

Components of postretirement benefit expense were:

<TABLE>
<CAPTION>

(millions)	1998	1997	1996
<S>	<C>	<C>	<C>
Service cost	$9.1	$9.6	$11.2
Interest cost	36.8	37.2	40.2
Expected return on plan assets	(15.0)	(13.3)	-
Amortization of unrecognized prior service cost	(0.5)	(0.5)	0.3
Recognized gains	(5.3)	(6.3)	-
Curtailment loss and special termination benefits	1.0	-	1.0
Postretirement benefit expense	$26.1	$26.7	$52.7

</TABLE>

The worldwide weighted average actuarial assumptions were:

<TABLE>
<CAPTION>

	1998	1997	1996
<S>	<C>	<C>	<C>
Discount rate	7.0%	7.25%	7.75%
Long-term rate of return on plan assets	10.5%	10.5%	n/a

</TABLE>

The aggregate change in accumulated postretirement benefit obligation, change in plan assets, and funded status were:

<TABLE>
<CAPTION>

(millions)	1998	1997
CHANGE IN ACCUMULATED BENEFIT OBLIGATION		
<S>	<C>	<C>
Accumulated benefit obligation at beginning of year	$ 523.3	$ 494.1
Service cost	9.1	9.6
Interest cost	36.8	37.2
Actuarial loss	7.6	11.9
Amendments	2.2	-
Benefits paid	(29.5)	(29.0)
Other	(0.7)	(0.5)
Accumulated benefit obligation at end of year	$ 548.8	$ 523.3
CHANGE IN PLAN ASSETS		
Fair value of plan assets at beginning of year	$ 150.7	$ 81.0
Actual return on plan assets	22.1	23.0
Employer contribution	34.1	75.7
Benefits paid	(29.5)	(29.0)
Fair value of plan assets at end of year	$ 177.4	$ 150.7
FUNDED STATUS	$ (371.4)	$ (372.6)
Unrecognized net gain	(80.9)	(86.5)
Unrecognized prior service cost	(6.2)	(8.1)
Accrued postretirement benefit cost	$ (458.5)	$ (467.2)
AMOUNTS RECOGNIZED IN THE STATEMENT OF FINANCIAL POSITION CONSIST OF		
Accrued benefit liability	$ (458.5)	$ (467.2)

</TABLE>

The assumed health care cost trend rate was 7.0% for 1998, decreasing gradually to 4.2% by the year 2003 and remaining at that level thereafter. These trend rates reflect the Company's prior experience and management's expectation that future rates will decline. A one percentage point change in assumed health care cost trend rates would have the following effects:

<TABLE>
<CAPTION>

(millions)	One percentage point increase	One percentage point decrease
<S>	<C>	<C>
Effect on total of service and interest cost components	$ 6.5	$ (4.2)
Effect on postretirement benefit obligation	$ 65.4	$ (54.5)

</TABLE>

All gains and losses, other than curtailment losses and special termination benefits, are recognized over the average remaining service period of active plan participants. Curtailment losses and special termination benefits recognized in 1998 and 1996 relate to operational workforce reduction initiatives undertaken during these years and are recorded as a component of non-recurring charges. (Refer to Note 3 for further information.) Since December 1996, the Company has contributed to a voluntary employee benefit association (VEBA) trust for funding of its nonpension postretirement benefit obligations.

NOTE 10 INCOME TAXES

Earnings before income taxes and cumulative effect of accounting change, and the provision for U.S. federal, state, and foreign taxes on these earnings, were:

(millions)	1998	1997	1996
EARNINGS BEFORE INCOME TAXES AND CUMULATIVE EFFECT OF ACCOUNTING CHANGE			
United States	$564.0	$576.4	$516.7
Foreign	218.5	328.1	343.2
	$782.5	$904.5	$859.9
INCOME TAXES			
Currently payable			
Federal	$128.7	$129.4	$130.6
State	17.8	29.6	21.9
Foreign	87.2	143.0	118.4
	233.7	302.0	270.9
Deferred			
Federal	30.6	50.2	45.7
State	1.7	4.0	11.4
Foreign	13.9	(15.7)	0.9
	46.2	38.5	58.0
Total income taxes	$279.9	$340.5	$328.9

The difference between the U.S. federal statutory tax rate and the Company's effective rate was:

	1998	1997	1996
U.S. statutory rate	35.0%	35.0%	35.0%
Foreign rates varying from 35%	(2.0)	(1.6)	0.7
State income taxes, net of federal benefit	2.4	2.4	2.5
Net change in valuation allowances	2.9	1.6	(0.1)
Statutory rate changes, deferred tax impact	(0.3)	(0.5)	-
Other	(2.2)	0.7	0.1
Effective income tax rate	35.8%	37.6%	38.2%

The 1998 and 1997 increases in valuation allowances on deferred tax assets and corresponding impacts on the effective income tax rate, as presented above, primarily result from management's assessment of the Company's ability to utilize certain operating loss and tax credit carryforwards. Total tax benefits of carryforwards at year-end 1998 and 1997 were $55.1 million and $30.4 million, respectively, and principally expire after five years.

The deferred tax assets and liabilities included in the balance sheet at year-end were:

	Deferred tax assets		Deferred tax liabilities	
(millions)	1998	1997	1998	1997
Current:				
Promotion and advertising	$26.0	$65.0	$9.9	$10.5
Wages and payroll taxes	27.3	13.8	-	-
Health and postretirement benefits	18.1	15.7	3.8	2.4
State taxes	5.7	8.1	-	-
Operating loss and credit carryforwards	1.5	2.1	-	-
Other	27.9	24.2	15.4	12.3
	106.5	128.9	29.1	25.2
Less valuation allowance	(1.5)	(4.1)	-	-
	105.0	124.8	29.1	25.2

Noncurrent:				
Depreciation and asset disposals	15.7	18.8	347.4	326.0
Health and postretirement benefits	164.3	163.5	58.8	56.2
Capitalized interest	-	-	28.3	28.8
State taxes	-	-	1.9	2.6
Operating loss and credit carryforwards	53.6	28.3	-	-
Other	36.4	26.6	9.9	5.8
	270.0	237.2	446.3	419.4
Less valuation allowance	(67.1)	(41.8)	-	-
	202.9	195.4	446.3	419.4
Total deferred taxes	$307.9	$320.2	$475.4	$444.6

</TABLE>

At December 31, 1998, foreign subsidiary earnings of $1.2 billion were considered permanently invested in those businesses. Accordingly, U.S. income taxes have not been provided on these earnings. Foreign withholding taxes of approximately $75 million would be payable upon remittance of these earnings. Subject to certain limitations, the withholding taxes would then be available for use as credits against the U.S. tax liability.

Cash paid for income taxes was (in millions): 1998-$211; 1997-$332; 1996-$281.

NOTE 11 FINANCIAL INSTRUMENTS AND CREDIT RISK CONCENTRATION

The fair values of the Company's financial instruments are based on carrying value in the case of short-term items, quoted market prices for derivatives and investments, and, in the case of long-term debt, incremental borrowing rates currently available on loans with similar terms and maturities. The carrying amounts of the Company's cash, cash equivalents, receivables, notes payable, and long-term debt approximate fair value.

The Company is exposed to certain market risks which exist as a part of its ongoing business operations and uses derivative financial and commodity instruments, where appropriate, to manage these risks. In general, instruments used as hedges must be effective at reducing the risk associated with the exposure being hedged and must be designated as a hedge at the inception of the contract. Deferred gains or losses related to any instrument 1) designated but ineffective as a hedge of existing assets, liabilities, or firm commitments, or 2) designated as a hedge of an anticipated transaction which is no longer likely to occur, are recognized immediately in the statement of earnings.

For all derivative financial and commodity instruments held by the Company, changes in fair values of these instruments and the resultant impact on the Company's cash flows and/or earnings would generally be offset by changes in value of underlying exposures. The impact on the Company's results and financial position of holding derivative financial and commodity instruments was insignificant during the periods presented.

FOREIGN EXCHANGE RISK

The Company is exposed to fluctuations in foreign currency cash flows primarily related to third party purchases, intercompany product shipments, and intercompany loans. The Company is also exposed to fluctuations in the value of foreign currency investments in subsidiaries and cash flows related to repatriation of these investments. Additionally, the Company is exposed to volatility in the translation of foreign currency earnings to U.S. Dollars.

The Company assesses foreign currency risk based on transactional cash flows and enters into forward contracts and other commitments to sell foreign currency revenues, all of generally less than twelve months duration, to reduce fluctuations in net long or short currency positions. Foreign currency contracts are marked-to-market with net amounts due to or from counterparties recorded in accounts receivable or payable. For contracts hedging firm commitments, mark-to-market gains and losses are deferred and recognized as adjustments to the basis of the transaction. For contracts hedging subsidiary investments, mark-to-market gains and losses are recorded in the accumulated other comprehensive income component of shareholders' equity. For all other contracts, mark-to-market gains and losses are recognized currently in other income or expense. Commitments to sell future foreign currency revenues are accounted for as contingent borrowings.

The notional amounts of open forward contracts were $22.2 million and $143.2 million at December 31, 1998, and 1997, respectively. No borrowings were outstanding under commitments to sell foreign currency revenues at December 31, 1998 or 1997. Refer to Supplemental Financial Information on pages 33 and 34 for further information regarding these contracts.

INTEREST RATE RISK
The Company is exposed to interest rate volatility with regard to future issuances of fixed rate debt and existing issuances of variable rate debt. The Company uses interest rate caps, and currency and interest rate swaps, including forward swaps, to reduce interest rate volatility and funding costs associated with certain debt issues, and to achieve a desired proportion of variable versus fixed rate debt, based on current and projected market conditions.

Interest rate forward swaps are marked-to-market with net amounts due to or from counterparties recorded in interest receivable or payable. Mark-to-market gains and losses are deferred and recognized over the life of the debt issue as a component of interest expense. For other caps and swaps entered into concurrently with the debt issue, the interest or currency differential to be paid or received on the instrument is recognized in the statement of earnings as incurred, as a component of interest expense. If a position were to be terminated prior to maturity, the gain or loss realized upon termination would be deferred and amortized to

interest expense over the remaining term of the underlying debt issue or would be recognized immediately if the underlying debt issue was settled prior to maturity.

The notional amounts of currency and interest rate swaps were $1.05 billion and $875.0 million at December 31, 1998, and 1997, respectively. Refer to Note 6 and Supplemental Financial Information on pages 33 and 34 for further information regarding these swaps.

PRICE RISK
The Company is exposed to price fluctuations primarily as a result of anticipated purchases of raw and packaging materials. The Company uses the combination of long cash positions with vendors, and exchange-traded futures and option contracts to reduce price fluctuations in a desired percentage of forecasted purchases over a duration of generally less than one year. Commodity contracts are marked-to-market with net amounts due to or from brokers recorded in accounts receivable or payable. Mark-to-market gains and losses are deferred and recognized as adjustments to the basis of the underlying material purchase.

CREDIT RISK CONCENTRATION
The Company is exposed to credit loss in the event of nonperformance by counterparties on derivative financial and commodity contracts. This credit loss is limited to the cost of replacing these contracts at current market rates. Management believes that the probability of such loss is remote.

Financial instruments which potentially subject the Company to concentrations of credit risk are primarily cash, cash equivalents, and accounts receivable. The Company places its investments in highly rated financial institutions and investment grade short-term debt instruments, and limits the amount of credit exposure to any one entity. Concentrations of credit risk with respect to accounts receivable are limited due to the large number of customers, generally short payment terms, and their dispersion across geographic areas.

NOTE 12 QUARTERLY FINANCIAL DATA (unaudited)

<TABLE>
<CAPTION>

(millions, except per share data)	Net sales 1998	Net sales 1997	Gross profit 1998	Gross profit 1997
First	$1,642.9	$1,688.9	$ 861.1	$ 860.9
Second	1,713.5	1,719.7	893.9	908.9
Third	1,805.8	1,803.8	936.9	944.4
Fourth	1,599.9	1,617.7	787.6	845.8
	$6,762.1	$6,830.1	$ 3,479.5	$ 3,560.0

<CAPTION>

	Earnings before cumulative effect of accounting change (a)	Earnings per share before cumulative effect of accounting change (a)(b)

	1998	1997	1998	1997
<S>	<C>	<C>	<C>	<C>
First	$170.7	$160.6	0.42	$0.38
Second	143.2	163.6	0.35	0.39
Third	141.9	207.2	0.35	0.50
Fourth	46.8	32.6	0.11	0.08
	$502.6	$564.0		

<CAPTION>

	Net earnings (a) 1998	Net earnings (a) 1997	Earnings per share (a)(b) 1998	Earnings per share (a)(b) 1997
<S>	<C>	<C>	<C>	<C>
First	$170.7	$160.6	$0.42	$0.38
Second	143.2	163.6	0.35	0.39
Third	141.9	207.2	0.35	0.50
Fourth	46.8	14.6	0.11	0.04
	$502.6	$546.0		

</TABLE>

(a) The quarterly results of 1998 and 1997 include the following non-recurring charges and cumulative effect of accounting change. (Refer to Notes 1 and 3 for further information.)

<TABLE>
<CAPTION>

	Net earnings 1998	Net earnings 1997	Earnings per share 1998	Earnings per share 1997
Non-recurring charges:				
<S>	<C>	<C>	<C>	<C>
Second	$ -	$ (8.0)	$ -	$ (0.02)
Third	-	(6.6)	-	(0.02)
Fourth	(46.3)	(125.9)	(0.12)	(0.31)
Earnings before cumulative effect of accounting change	(46.3)	(140.5)		
Cumulative effect of accounting change - Fourth	-	(18.0)	-	(0.04)
Net earnings	($46.3)	($158.5)		

</TABLE>

(b) Earnings per share presented represent both basic and diluted earnings per share.

The principal market for trading Kellogg shares is the New York Stock Exchange (NYSE). The shares are also traded on the Boston, Chicago, Cincinnati, Pacific, and Philadelphia Stock Exchanges. At year-end 1998, the closing price (on the NYSE) was $34 1/8 and there were 24,634 shareholders of record.

Dividends paid and the quarterly price ranges on the NYSE during the last two years were:

<TABLE>
<CAPTION>

		Stock Price	
1998 - QUARTER	Dividend	High	Low
<S>	<C>	<C>	<C>
Fourth	$0.235	$37.63	$32.19
Third	0.235	39.19	29.56
Second	0.225	43.50	37.69
First	0.225	49.69	41.81
	$0.920		
1997 - Quarter			
Fourth	$0.225	$50.38	$40.00
Third	0.225	50.38	42.00

Second	0.210	43.44	32.00
First	0.210	36.38	32.06
	$0.870		

</TABLE>

NOTE 13 OPERATING SEGMENTS

The Company manufactures and markets ready-to-eat cereal and other grain-based convenience food products, including toaster pastries, frozen waffles, cereal bars, and bagels, throughout the world. Principal markets for these products include the United States and Great Britain. Operations are managed via four major geographic areas - North America, Europe, Asia-Pacific, and Latin America - which are the basis of the Company's reportable operating segment information disclosed below. The measurement of operating segment results is generally consistent with the presentation of the Consolidated Statement of Earnings and Balance Sheet. Intercompany transactions between reportable operating segments were insignificant in all periods presented.

<TABLE>
<CAPTION>

(millions)	1998	1997	1996
NET SALES			
North America	$ 4,175.9	$ 4,260.8	$ 4,086.3
Europe	1,698.5	1,702.0	1,749.6
Asia-Pacific	377.0	411.9	433.2
Latin America	510.7	455.4	407.5
Consolidated	$ 6,762.1	$ 6,830.1	$ 6,676.6
OPERATING PROFIT EXCLUDING NON-RECURRING CHARGES			
North America	$ 831.6	$ 884.8	$ 762.3
Europe	211.4	305.8	305.1
Asia-Pacific	48.3	51.1	61.3
Latin America	107.2	111.8	94.2
Corporate and other	(232.9)	(160.3)	(127.9)
Consolidated (a)	$ 965.6	$ 1,193.2	$ 1,095.0
DEPRECIATION AND AMORTIZATION			
North America	$ 152.1	$ 153.7	$ 135.1
Europe	54.6	59.6	59.9
Asia-Pacific	21.3	21.9	20.7
Latin America	14.2	12.5	10.2
Corporate and other	35.9	39.6	25.6
Consolidated	$ 278.1	$ 287.3	$ 251.5
TOTAL ASSETS			
North America	$ 2,430.8	$ 2,519.2	$ 2,574.0
Europe	1,336.0	1,154.5	1,254.1
Asia-Pacific	328.4	309.5	449.2
Latin America	380.9	361.4	285.6
Corporate and other	1,516.7	1,405.1	1,316.5
Elimination entries	(941.3)	(872.1)	(829.4)
Consolidated	$ 5,051.5	$ 4,877.6	$ 5,050.0
ADDITIONS TO LONG-LIVED ASSETS			
North America	$ 82.5	$ 166.5	$ 544.6
Europe	169.1	60.7	71.9
Asia-Pacific	40.3	24.3	34.7
Latin America	41.7	43.3	17.7
Corporate and other	98.5	94.9	138.3
Consolidated	$ 432.1	$ 389.7	$ 807.2

</TABLE>

<TABLE>
<CAPTION>

(a) Reconciliation to operating profit as reported:	1998	1997	1996
<S>	<C>	<C>	<C>
Operating profit excluding non-recurring charges	$ 965.6	$ 1,193.2	$ 1,095.0
Non-recurring charges	(70.5)	(184.1)	(136.1)
Operating profit as reported	$ 895.1	$ 1,009.1	$ 958.9

</TABLE>

Supplemental geographic information is provided below for revenues from external customers and long-lived assets:

<TABLE>
<CAPTION>

(millions)	1998	1997	1996
<S>	<C>	<C>	<C>
NET SALES			
United States	$ 3,858.0	$ 3,922.2	$ 3,733.7
Great Britain	743.6	719.0	673.8
Other foreign countries	2,160.5	2,188.9	2,269.1
Consolidated	$ 6,762.1	$ 6,830.1	$ 6,676.6
LONG-LIVED ASSETS			
United States	$ 1,644.2	$ 1,707.1	$ 1,720.0
Great Britain	553.0	452.4	463.2
Other foreign countries	1,330.3	1,225.2	1,304.3
Consolidated	$ 3,527.5	$ 3,384.7	$ 3,487.5

</TABLE>

Supplemental product information is provided below for revenues from external customers:

<TABLE>
<CAPTION>

(millions)	1998	1997	1996
<S>	<C>	<C>	<C>
Ready-to-eat cereal net sales	$ 5,265.4	$ 5,435.8	$ 5,543.8
Convenience foods net sales	1,496.7	1,394.3	1,132.8
Consolidated	$ 6,762.1	$ 6,830.1	$ 6,676.6

</TABLE>

NOTE 14 SUPPLEMENTAL FINANCIAL STATEMENT DATA

(millions)
<TABLE>

<CAPTION>

CONSOLIDATED STATEMENT OF EARNINGS	1998	1997	1996
Research and development expense	$121.9	$106.1	$84.3
Advertising expense	$695.3	$780.4	$778.9

</TABLE>

<TABLE>
<CAPTION>

CONSOLIDATED STATEMENT OF CASH FLOWS	1998	1997	1996
Accounts receivable	($102.6)	$5.1	$10.9
Inventories	(15.0)	(8.1)	(35.4)
Other current assets	33.2	(11.0)	(0.5)
Accounts payable	58.9	(8.7)	(41.0)
Other current liabilities	(76.8)	1.9	(11.3)
CHANGES IN OPERATING ASSETS AND LIABILITIES	($102.3)	($20.8)	($77.3)

</TABLE>

<TABLE>
<CAPTION>

CONSOLIDATED BALANCE SHEET	1998	1997
Raw materials and supplies	$133.3	$135.0
Finished goods and materials in process	318.1	299.3
INVENTORIES	$451.4	$434.3
Deferred income taxes	$89.9	$113.4
Prepaid advertising and promotion	69.9	95.2
Other	55.9	64.1
OTHER CURRENT ASSETS	$215.7	$272.7
Land	$49.3	$49.0
Buildings	1,247.9	1,213.8
Machinery and equipment	3,608.2	3,434.7
Construction in progress	341.4	283.1
Accumulated depreciation	(2,358.0)	(2,207.3)
PROPERTY, NET	$2,888.8	$ 2,773.3
Goodwill	$185.5	$194.3
Other intangibles	194.0	191.2
Other	286.7	251.1
OTHER ASSETS	$666.2	$636.6
Accrued income taxes	$69.4	$30.5
Accrued salaries and wages	100.7	99.7
Accrued advertising and promotion	243.4	308.8
Other	296.6	310.5
OTHER CURRENT LIABILITIES	$710.1	$749.5
Nonpension postretirement benefits	$435.2	$444.1
Deferred income taxes	259.2	237.7
Other	134.3	125.6
OTHER LIABILITIES	$828.7	$807.4

</TABLE>

Report of Independent Accountants

PRICEWATERHOUSECOOPERS LLP

To the Shareholders and Board of Directors of Kellogg Company

In our opinion, the accompanying consolidated balance sheet and the related consolidated statements of earnings, of shareholders' equity and of cash flows present fairly, in all material respects, the financial position of Kellogg Company and its subsidiaries at December 31, 1998 and 1997, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1998, in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Company'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 generally accepted auditing standards 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 the opinion expressed above.

As discussed in Note 1 to the financial statements, the Company changed its method of accounting for business process reengineering costs effective October 1, 1997.

/s/ PriceWaterhouseCoopers LLP
PRICEWATERHOUSECOOPERS LLP

Battle Creek, Michigan
January 29, 1999

SUPPLEMENTAL FINANCIAL INFORMATION

QUANTITATIVE & QUALITATIVE DISCLOSURES RELATED TO MARKET RISK SENSITIVE INSTRUMENTS

The Company is exposed to certain market risks which exist as a part of its ongoing business operations and uses derivative financial and commodity instruments, where appropriate, to manage these risks. The Company, as a matter of policy, does not engage in trading or speculative transactions. Refer to Note 11 within Notes to Consolidated Financial Statements for further information on accounting policies related to derivative financial and commodity instruments.

FOREIGN EXCHANGE RISK

The Company is exposed to fluctuations in foreign currency cash flows related to third party purchases, intercompany product shipments, and intercompany loans. The Company is also exposed to fluctuations in the value of foreign currency investments in subsidiaries and cash flows related to repatriation of these investments. Additionally, the Company is exposed to volatility in the translation of foreign currency earnings to U.S. Dollars. Primary exposures include the U.S. Dollar versus the British Pound, member currencies of the European Monetary Union, Australian Dollar, Canadian Dollar, and Mexican Peso, and in the case of inter-subsidiary transactions, the British Pound versus other European currencies. The Company assesses foreign currency risk based on transactional cash flows and enters into forward contracts and other commitments to sell foreign currency revenues, all of generally less than twelve months duration, to reduce fluctuations in net long or short currency positions. No borrowings were outstanding under commitments to sell foreign currency revenues at December 31, 1998 or 1997. As of December 31, 1998, the Company had committed to borrowings during 1999 in the cumulative principle amount of approximately $280 million.

The tables below summarize forward contracts held at year-end 1998 and 1997. All contracts are valued in U.S. Dollars using year-end exchange rates, are hedges of anticipated transactions (unless indicated otherwise), and mature within one year.

<TABLE>
<CAPTION>

CONTRACTS TO SELL FOREIGN CURRENCY

CURRENCY SOLD	CURRENCY RECEIVED	NOTIONAL VALUE (MILLIONS)		EXCHANGE RATE (FC/1US$)		FAIR VALUE (MILLIONS)	
		1998	1997	1998	1997	1998	1997
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Belgian Franc	British Pound	$ 1.9	$ 11.7	35.11	35.19	$ -	$ 0.5
Swiss Franc	German Deutschmark	0.3	3.9	2.08	1.46	-	-
French Franc	German Deutschmark	-	4.3	-	6.08	-	-

French Franc	Danish Kroner	-	0.6	-	6.06	-	-
Danish Kroner	British Pound	3.2	5.4	6.60	6.67	(0.1)	0.1
Belgian Franc	French Franc	-	1.0	-	36.87	-	-
French Franc	British Pound	6.9	48.0	5.69	5.70	(0.1)	2.3
Irish Punt	British Pound	3.4	27.4	0.68	0.66	-	1.7
Spanish Peseta	British Pound	-	1.3	-	134.72	-	0.2
Swedish Kroner	Danish Kroner	1.6	16.0	7.41	7.89	0.1	0.1
Venezuelan Bolivar	U.S. Dollar	2.1	-	726.67	-	(0.6)	-
	TOTAL	$ 19.4	$ 119.6			$ (0.7)	$ 4.9

</TABLE>

<TABLE>
<CAPTION>

CONTRACTS TO PURCHASE FOREIGN CURRENCY

CURRENCY PURCHASED	CURRENCY EXCHANGED	NOTIONAL VALUE (MILLIONS)		EXCHANGE RATE (FC/1US$)		FAIR VALUE (MILLIONS)	
		1998	1997	1998	1997	1998	1997
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Swiss Franc (a)	British Pound	$ -	$ 4.7	-	1.42	$ -	$ (0.1)
German Deutschmark (a)	British Pound	-	0.3	-	1.72	-	-
German Deutschmark	British Pound	2.8	18.6	1.69	1.71	-	(0.8)
	TOTAL	$ 2.8	$ 23.6			$ -	$ (0.9)

</TABLE>

(a) Designated as hedge of firm commitment.

INTEREST RATE RISK
The Company is exposed to interest rate volatility with regard to future issuances of fixed rate debt and existing issuances of variable rate debt. Primary exposures include movements in U.S. Treasury rates, London Interbank Offered rates (LIBOR), and commercial paper rates. The Company uses interest rate caps, and currency and interest rate swaps, including forward swaps, to reduce interest rate volatility and funding costs associated with certain debt issues, and to achieve a desired proportion of variable versus fixed rate debt, based on current and projected market conditions.

The tables below provide information on the Company's significant debt issues and related hedging instruments at year-end 1998 and 1997. For foreign currency-denominated debt, the information is presented in U.S. Dollar equivalents. Variable interest rates are based

<TABLE>
<CAPTION>

SIGNIFICANT DEBT ISSUES					12/31/98	12/31/97
DEBT CHARACTERISTICS	PRINCIPAL BY YEAR OF MATURITY (MILLIONS)				FAIR VALUE (MILLIONS)	FAIR VALUE (MILLIONS)
	1999	2001	2004	2005		
<S>		<C>	<C>	<C>	<C>	<C>
Euro Dollar		$ 500.0			$ 505.8	$ 502.6
fixed rate		6.125%				
effective rate (a)		6.400%				
U.S. Dollar		$ 400.0			$ 435.9	$ -
fixed rate		5.75%				
effective rate (b)		5.23%				

Euro Dollar		$ 500.0		$ 510.2	$ 515.3
fixed rate		6.625%			
effective rate (a)		6.354%			
U.S. Dollar			$ 200.0	$ 198.4	$ -
fixed rate			4.875%		
effective rate (a)			6.070%		
U.S. commercial paper	$ 423.3			$ 423.3	$ -
weighted avg. variable	5.2%				
Multi-currency revolving credit facility	$ 148.5			$ 148.5	$ -
effective rate	5.5%				
Other debt issues maturing in 1998:					
Euro Canadian Dollar				$ -	$ 186.6
U.S. commercial paper (c)				$ -	$ 744.2

</TABLE>

(a) Effective fixed interest rate paid, as a result of settlement of forward interest rate swap at date of debt issuance.

(b) Effective fixed interest rate paid, as a result of extendable feature. Refer to Note 6 within Notes to Consolidated Financial Statements for further information.

(c) $400 million of commercial paper classified in long-term debt as of year-end 1997. Refer to Note 6 within Notes to Consolidated Financial Statements for further information.

on effective rates or implied forward rates as of year-end 1998. Refer to Note 6 within the Notes to Consolidated Financial Statements for further information.

<TABLE>
<CAPTION>

INTEREST & CURRENCY SWAPS & CAPS

INSTRUMENT CHARACTERISTICS		YEAR OF MATURITY (MILLIONS) 2001	2002	12/31/98 FAIR VALUE (MILLIONS)	12/31/97 FAIR VALUE (MILLIONS)
<S>	<C>	<C>	<C>	<C>	<C>
Interest rate swap -- pay	Notional amt.	$ 200.0		$ 5.6	$ 1.3
variable/receive fixed -- hedge	Pay	5.22%			
of existing debt issue	Receive	6.40%			
Interest rate swap -- pay	Notional amt.		$ 225.0	$ 1.1	$ 1.2
variable/receive fixed -- hedge	Pay		4.86%		
of existing debt issue (a)	Receive		6.354%		
Interest rate swap -- pay	Notional amt.	$ 400.0		$ 5.2	$ -
variable/receive fixed -- hedge	Pay	4.49%			
of existing debt issue	Receive	5.23%			
Interest rate cap -- pay fixed if 30-day C.P. rate rises to strike rate hedge of U.S. commercial paper (b)	Notional amt.	$ 225.0		$ (0.2)	$ (0.4)
	Strike	6.33%			
	Reference	4.90%			

Other swaps settling in 1998	$ -	$ (10.9)

</TABLE>

(a) Under the terms of this swap, if three-month LIBOR falls to 4.71% or below, the swap will expire. At year-end 1998, three-month LIBOR was 5.07%.

(b) Under the terms of this cap, if the Federal Reserve AA composite rate on 30-day commercial paper increases to 7.68% or above, the cap will expire. At year-end 1998 the rate was 4.90%.

PRICE RISK

The Company is exposed to price fluctuations primarily as a result of anticipated purchases of raw and packaging materials. Primary exposures include corn, wheat, soybean oil, and sugar. The Company uses the combination of long cash positions with vendors, and exchange-traded futures and option contracts to reduce price fluctuations in a desired percentage of forecasted purchases over a duration of generally less than one year. The fair values of commodity contracts held at year-end 1998 and 1997 were insignificant, and potential near-term changes in commodity prices are not expected to have a significant impact on the Company's future earnings or cash flows.

For all derivative financial instruments presented in the tables above, changes in fair values of these instruments and the resultant impact on the Company's cash flows and/or earnings would generally be offset by changes in values of underlying transactions and positions. Therefore, it should be noted that the exclusion of certain of the underlying exposures from the tables above may be a limitation in assessing the net market risk of the Company.

EXHIBIT 21.01

KELLOGG COMPANY

SUBSIDIARIES

NORTH AMERICA

Argkel, Inc. - Battle Creek, MI
Ensemble Functional Foods Company - Battle Creek, MI
Gollek Inc. - Battle Creek, MI
K-One Inc. - Battle Creek, MI
K-Two Inc. - Battle Creek, MI
K (China) Limited - Battle Creek, MI
K India Private Limited - Battle Creek, MI
Kelarg, Inc. - Battle Creek, MI
Kellogg Asia Inc. - Battle Creek, MI
Kellogg Asia Marketing Inc. - Battle Creek, MI
Kellogg Brasil, Inc. - Battle Creek, MI
Kellogg Caribbean Inc. - Battle Creek, MI
Kellogg Caribbean Services Company, Inc. - Guayabo, Puerto Rico
Kellogg Chile Inc. - Battle Creek, MI
Kellogg Fearn, Inc. - Battle Creek, MI
Kellogg Italia S.p.A. - Battle Creek, MI
Kellogg Latvia, Inc. - Battle Creek, MI
Kellogg Sales Company - Battle Creek, MI
Kellogg Services Group, Inc. - Battle Creek, MI
Kellogg (Thailand) Limited - Battle Creek, MI
Kellogg USA Inc. - Battle Creek, MI
KFSC, Inc. - Barbados
Mountaintop Baking Company - Battle Creek, MI
The Eggo Company - Battle Creek, MI
Trafford Park Insurance Limited - Bermuda
Kellogg Canada Inc. - Rexdale, Ontario, Canada
Gollek Interamericas, S. de R.L. de C.V., Queretaro, Mexico (subsidiary of Kellogg Canada)
Gollek Limited - Barbados, West Indies (subsidiary of Kellogg Canada)
Kellogg's Malaysia Manufacturing SDN, BHD, Kuala Lumpur, Malaysia (subsidiary of Kellogg Canada)

ASIA-PACIFIC

Kellogg (Aust.) Pty. Ltd. - Sydney, Australia
Gollek (Aust.) Pty. Ltd. - Pagewood, Australia (subsidiary of Kellogg Australia)
Kellogg (N.Z.) Limited - Auckland, New Zealand (subsidiary of Kellogg Australia)

Kellogg Superannuation Pty. Ltd. - Sydney, Australia (subsidiary of Kellogg Australia)
Kellogg (China) Limited - Guangzhou, China
Kellogg Company of South Africa (Pty.) Ltd. - Springs, South Africa
Kellogg Project 1995 (Pty.) Ltd. - Springs, South Africa (subsidiary of Kellogg South Africa)
Kellogg India Private Limited - Mumbai, India
Kellogg (Japan) K.K. - Tokyo, Japan
Kellogg (Thailand) Limited - Bangkok, Thailand
Nhong Shim Kellogg Co. Ltd. - Seoul, South Korea

EUROPE

Gollek B.V. - Amsterdam, The Netherlands
Kellogg Company of Great Britain Limited - Manchester, England
Favorite Food Products Limited - Manchester, England (subsidiary of Kellogg Great Britain)
Garden City Bakery Limited - Manchester, England (subsidiary of Lender's Bakery Limited)
Kelcone Limited - Aylesbury, England (subsidiary of Kellogg Great Britain)
Kelcorn Limited - Manchester, England (subsidiary of Kellogg Great Britain)
Kellogg Company of Ireland, Limited - Dublin, Ireland (subsidiary of Kellogg Great Britain)
Kellogg Management Services (Europe) Limited - Manchester, England (subsidiary of Kellogg UK Holding)
Kellogg Marketing and Sales Company (UK) Limited - Manchester, England (subsidiary of Kellogg UK Holding)
Kellogg Supply Services (Europe) Limited - Manchester, England (subsidiary of Kellogg UK Holding Co)

Kellogg U.K. Holding Company Limited - Manchester, England
Kellogg Espana, S.A. - Valls, Spain (subsidiary of Kellogg Great Britain)
Kelmill Limited - Liverpool, England (subsidiary of Kellogg Great Britain)
Kelpac Limited - Manchester, England (subsidiary of Kellogg Great Britain)
Lender's Bakery Limited - Manchester, England (subsidiary of Kellogg UK Holding)
Portable Foods Manufacturing Company Limited - Manchester, England
Saragusa Frozen Foods Limited - Manchester, England (subsidiary of Kellogg Great Britain)
Seaforth Corn Mills, Limited - Liverpool, England (subsidiary of Kellogg Great Britain)
Kellogg (Deutschland) GmbH - Breman, Germany
Gebrueder Nielsen Reismuehlen und Staerke-Fabrik mit Beschraenkter Haftung - Bremen, Germany (subsidiary of Kellogg Deutschland)
Reis-und Handels AG Unterstuetzungskasse GmbH - Bremen, Germany (subsidiary of Kellogg Deutschland)
Kellogg (Hungary) Trading Limited Liability Company, Budapest, Hungary
Kellogg Italia S.p.A. - Milan, Italy
Generale Richerche Alimenti Migliorate (G.R.A.M.) S.p.A. - Veronaluova, Italy

Kellogg Latvia, Inc. - Riga, Latvia,
Kellogg (Poland) Sp. zo.o., Warsaw, Poland
Kellogg's Produits Alimentaires, S.A. - Rosny, France
Nordisk Kellogg's A/S - Svendborg, Denmark
Kellogg (Schweiz) AG, Kanton, Zug, Switzerland (subsidiary of Kellogg Deutschland)
Kellogg (Osterreich) GmbH, Vienna, Austria (subsidiary of Kellogg Deutschland)

LATIN AMERICA

Alimentos Kellogg, S.A. - Caracas, Venezuela
Gollek, S.A. - Caracas, Venezuela (subsidiary of Alimentos Kellogg)
Gollek Services, S.C., Queretaro, Mexico
Kellogg Argentina S.A. - Buenos Aires, Argentina
Kellogg Brasil & Cia. - Sao Paulo, Brasil
Kellogg Chile Limited - Santiago, Chile
Kellogg de Centro America, S.A. - Guatemala, Centro America
Kellogg de Colombia, S.A. - Bogota, Colombia
Kellogg de Mexico, S.A. de C.V. - Queretaro, Mexico
CELNASA (La Compania de Cereales Nacionales S.A.), Ecuador

EXHIBIT 23.01

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Prospectuses constituting part of the Registration Statements on Form S-3 (Nos. 33-20731, 33-38846 and 33-49875) and the Registration Statements on Form S-8 (Nos. 2-77316, 33-27293, 33-27294, 33-40651 and 33-53403) of Kellogg Company of our report dated January 29, 1999 appearing on page 33 of the Annual Report to Shareholders which is incorporated in this Annual Report on Form 10-K. We also consent to the incorporation by reference of our report on the Financial Statement Schedule, which appears on page 11 of this Form 10-K.

/S/ PriceWaterhouseCoopers LLP
PRICEWATERHOUSECOOPERS LLP

Battle Creek, Michigan
March 22, 1999

EXHIBIT 23.02

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Registration Statement on Form S-8 (No. 33-27294) of Kellogg Company of our report dated March 18, 1999 which appears on page 1 of Exhibit 99.01 of this Form 10-K and to the incorporation by reference in the Registration Statement on Form S-8 (No. 33-27293) of Kellogg Company of our report dated March 18, 1999 which appears on page 1 of Exhibit 99.02 of this Form 10-K.

/s/ PriceWaterhouseCoopers LLP
PRICEWATERHOUSECOOPERS LLP

Battle Creek, Michigan
March 22, 1999

EXHIBIT 24.01

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, That I, the undersigned Director of Kellogg Company, a Delaware corporation, hereby appoint Richard M. Clark, Senior Vice President, General Counsel and Secretary of Kellogg Company, as my lawful attorney-in-fact and agent, to act on my behalf, with full power of substitution, in preparing, executing and filing the Company's Annual Report on Form 10-K for fiscal year ended December 31, 1998, and any exhibits, amendments and other documents related thereto, with the Securities and Exchange Commission. Said filing shall be for the purpose of fulfilling applicable legal requirements.

Whereupon, I grant unto said Richard M. Clark full power and authority to perform all necessary and appropriate acts in connection therewith, and hereby ratify and confirm all that said attorney-in-fact and agent, or his substitute, may lawfully do, or cause to be done, by virtue hereof.

B.S. Carson

Director

Dated: 1/22/99

EXHIBIT 24.01

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, That I, the undersigned Director of Kellogg Company, a Delaware corporation, hereby appoint Richard M. Clark, Senior Vice President, General Counsel and Secretary of Kellogg Company, as my lawful attorney-in-fact and agent, to act on my behalf, with full power of substitution, in preparing, executing and filing the Company's Annual Report on Form 10-K for fiscal year ended December 31, 1998, and any exhibits, amendments and other documents related thereto, with the Securities and Exchange

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Carleton S. Fiorina

Director

Dated: 1/27/99

EXHIBIT 24.01

POWER OF ATTORNEY

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Claudio Gonzalez

Director

Dated: 1/27/99

EXHIBIT 24.01

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Gordon Gund

Director

Dated: 1/29/99

EXHIBIT 24.01

POWER OF ATTORNEY

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C. M. Gutierrez

Director

Dated: 1/28/99

EXHIBIT 24.01

POWER OF ATTORNEY

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Dorothy A. Johnson

Director

Dated: 2/1/99

EXHIBIT 24.01

POWER OF ATTORNEY

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W. E. LaMothe

Director

Dated: 1/23/99

EXHIBIT 24.01

POWER OF ATTORNEY

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A.G. Langbo

Director

Dated: 2/3/99

EXHIBIT 24.01

POWER OF ATTORNEY

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Ann McLaughlin

Director

Dated: 1/22/99

EXHIBIT 24.01

POWER OF ATTORNEY

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J.R. Munro

Director

Dated: 1/22/99

EXHIBIT 24.01

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Harold A. Poling

Director

Dated: 1/22/99

12

EXHIBIT 24.01

POWER OF ATTORNEY

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William C. Richardson

Director

Dated: 1/22/99

EXHIBIT 24.01

POWER OF ATTORNEY

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Donald H. Rumsfeld

Director

Dated: 1/27/99

EXHIBIT 24.01

POWER OF ATTORNEY

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John L. Zabriskie

Director

Dated: 1/22/99

<TABLE> <S> <C>

<ARTICLE> 5
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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM KELLOGG COMPANY AND SUBSIDIARIES CONSOLIDATED FINANCIAL STATEMENTS FOR THE TWELVE MONTHS ENDED DECEMBER 31, 1998 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.
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1

EXHIBIT 99.01

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, 1998
COMMISSION FILE NUMBER 1-4171

KELLOGG COMPANY
AMERICAN FEDERATION OF 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)

2

KELLOGG COMPANY
AMERICAN FEDERATION OF GRAIN MILLERS
SAVINGS AND INVESTMENT PLAN
FINANCIAL STATEMENTS
AND ADDITIONAL INFORMATION
OCTOBER 31, 1998

3

KELLOGG COMPANY
AMERICAN FEDERATION OF GRAIN MILLERS
SAVINGS AND INVESTMENT PLAN

INDEX TO FINANCIAL STATEMENTS AND ADDITIONAL INFORMATION

<TABLE>
<CAPTION>

</TABLE>

REPORT OF INDEPENDENT ACCOUNTANTS

To the Trustees and Participants of the
Kellogg Company American Federation
of 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 American Federation of Grain Millers Savings and Investment Plan at October 31, 1998 and 1997, and the changes in net assets available for benefits for the years then ended, in conformity with generally accepted accounting principles. 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 generally accepted auditing standards 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 the opinion expressed above.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The additional information included on pages 14-17 is presented for purposes of additional analysis and is not a required part of the basic financial statements but is additional information required by ERISA. The fund information in the statements of net assets available for benefits and the statement of changes in net assets available for benefits is presented for purposes of additional analysis rather than to present the net assets available for benefits and changes in net assets available for benefits of each fund. The additional information and the fund information have been subjected to the auditing procedures applied in the audit 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.

/s/ PriceWaterhouseCoopers LLP
PRICEWATERHOUSECOOPERS LLP

Battle Creek, Michigan
March 18, 1999

KELLOGG COMPANY 2
AMERICAN FEDERATION OF GRAIN MILLERS
SAVINGS AND INVESTMENT PLAN

STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS, WITH FUND INFORMATION
OCTOBER 31, 1998

<TABLE>
<CAPTION>

<S>	TOTAL <C>	LOAN FUND <C>	BOND INDEX FUND <C>	FIXED INCOME FUND <C>	U.S. EQUITY INDEX FUND <C>	KELLOGG COMPANY STOCK FUND <C>
ASSETS:						
Receivables:						
Employer contributions	$ 110,191	$ --	$ 2,400	$ 40,100	$ 32,330	$ 32,944
Employee contributions	278,544		6,923	110,426	99,651	53,601

Employee loan repayments	--	(1,959)	137	761	743	318
Interest	547			284	10	253
Total receivables	389,282	(1,959)	9,460	151,571	132,734	87,116
Investments:						
Plan's interest in Master Trust	604,734,697		11,081,018	380,770,917	134,326,169	69,630,360
Loans to participants	8,207,094	8,207,094				
Total investments	612,941,791	8,207,094	11,081,018	380,770,917	134,326,169	69,630,360
Total assets	613,331,073	8,205,135	11,090,478	380,922,488	134,458,903	69,717,476
LIABILITIES:						
Benefits payable	14,000			6,439	7,561	
Investment services fees	19,845		4,275	15,570		
Total liabilities	33,845	--	4,275	22,009	7,561	--
Net assets available for benefits	$613,297,228	$ 8,205,135	$ 11,086,203	$380,900,479	$134,451,342	$ 69,717,476

</TABLE>

See accompanying notes to financial statements

KELLOGG COMPANY

AMERICAN FEDERATION OF GRAIN MILLERS
SAVINGS AND INVESTMENT PLAN

STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS, WITH FUND INFORMATION
OCTOBER 31, 1998 (CONTINUED)

<TABLE>
<CAPTION>

	LARGE COMPANY EQUITY FUND	SMALL COMPANY EQUITY FUND	INTERNATIONAL EQUITY FUND	CONSERVATIVE PRE-MIXED FUND	AGGRESSIVE PRE-MIXED FUND
<S>	<C>	<C>	<C>	<C>	<C>
ASSETS:					
Receivables:					
Employer contributions	$ 973	$ 282	$ 211	$ 350	$ 601
Employee contributions	3,600	920	649	1,182	1,592
Employee loan repayments					
Interest					
Total receivables	4,573	1,202	860	1,532	2,193
Investments:					
Plan's interest in Master Trust	3,500,003	1,459,239	609,111	1,945,873	1,412,007
Loans to participants					
Total investments	3,500,003	1,459,239	609,111	1,945,873	1,412,007
Total assets	3,504,576	1,460,441	609,971	1,947,405	1,414,200
LIABILITIES:					
Benefits payable					
Investment services fees					
Total liabilities	--	--	--	--	--
Net assets available for benefits	$3,504,576	$1,460,441	$ 609,971	$1,947,405	$1,414,200

</TABLE>

See accompanying notes to financial statements

AMERICAN FEDERATION OF GRAIN MILLERS
SAVINGS AND INVESTMENT PLAN

STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS, WITH FUND INFORMATION
OCTOBER 31, 1997

<TABLE>
<CAPTION>

<S>	TOTAL <C>	LOAN FUND <C>	BOND INDEX FUND <C>	FIXED INCOME FUND <C>	U.S. EQUITY INDEX FUND <C>	KELLOGG COMPANY STOCK FUND <C>
ASSETS:						
Receivables:						
Employer contributions	$ 568,423	$ --	$ 7,793	$ 238,347	$ 157,680	$ 164,603
Employee contributions	280,805			280,805		
Interest	9,043	--		9,043		
Total receivables	858,271	--	7,793	528,195	157,680	164,603
Investments:						
Plan's interest in Master Trust	208,537,576		5,838,178	7,455,690	117,661,788	77,581,920
Guaranteed investment contracts	411,867,794			411,867,794		
Loans to participants	9,349,277	9,349,277				
TBC Pooled Funds Daily Liquidity	6,205			6,205		
Total investments	629,760,852	9,349,277	5,838,178	419,329,689	117,661,788	77,581,920
Total assets	630,619,123	9,349,277	5,845,971	419,857,884	117,819,468	77,746,523
LIABILITIES:						
Benefits payable	2,424,218			2,424,218		
Investment services fees	77,265		2,416	38,947	33,572	2,330
Total liabilities	2,501,483	--	2,416	2,463,165	33,572	2,330
Net assets available for benefits	$628,117,640	$ 9,349,277	$ 5,843,555	$417,394,719	$117,785,896	$ 77,744,193

</TABLE>

See accompanying notes to financial statements

AMERICAN FEDERATION OF GRAIN MILLERS
SAVINGS AND INVESTMENT PLAN

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS, WITH FUND INFORMATION
FOR THE YEAR ENDED OCTOBER 31, 1998

<TABLE>
<CAPTION>

<S>	TOTAL <C>	LOAN FUND <C>	BOND INDEX FUND <C>	FIXED INCOME FUND <C>	U.S. EQUITY INDEX FUND <C>	KELLOGG COMPANY STOCK FUND <C>
Contributions:						
Employer	$ 6,350,944	$ --	$ 109,147	$ 2,532,665	$ 1,688,529	$ 1,991,102
Employee	13,514,248		258,461	5,360,924	5,062,574	2,750,437
Loans repaid	547	(5,212,104)	107,090	2,211,559	1,592,688	1,271,639
Rollovers from other qualified plans	5,202				2,601	2,601
Total contributions	19,870,941	(5,212,104)	474,698	10,105,148	8,346,392	6,015,779
Earnings on Investments:						

Plan's interest in income of Master Trust	15,612,292		867,741	8,985,686	24,525,536	(18,540,799)
Interest income	17,404,629	839,877		16,564,752		
Administrative fees						
Trustee fees	(10,674)		(2,715)	(21,773)	20,172	(6,008)
Total earnings on investments, net	33,006,247	839,877	865,026	25,528,665	24,545,708	(18,546,807)
Net transfers between funds			4,634,268	(15,161,540)	(7,728,757)	9,010,310
Participant withdrawals	(67,533,906)	(43,861)	(687,071)	(55,578,371)	(7,479,528)	(3,588,410)
New loan distributions	--	3,305,187	(64,040)	(1,430,039)	(926,107)	(817,734)
Net transfers between Plans	(163,694)	(33,241)	19,767	41,897	(92,262)	(99,855)
Net increase (decrease)	(14,820,412)	(1,144,142)	5,242,648	(36,494,240)	16,665,446	(8,026,717)
Net assets available for benefits at beginning of year	628,117,640	9,349,277	5,843,555	417,394,719	117,785,896	77,744,193
Net assets available for benefits at end of year	$ 613,297,228	$ 8,205,135	$ 11,086,203	$ 380,900,479	$ 134,451,342	$ 69,717,476

</TABLE>

See accompanying notes to financial statements

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS, WITH FUND INFORMATION
FOR THE YEAR ENDED OCTOBER 31, 1998 (CONTINUED)

<TABLE>
<CAPTION>

<S>	LARGE COMPANY EQUITY FUND <C>	SMALL COMPANY EQUITY FUND <C>	INTERNATIONAL EQUITY FUND <C>	CONSERVATIVE PRE-MIXED FUND <C>	AGGRESSIVE PRE-MIXED FUND <C>
Contributions:					
Employer	$ 11,733	$ 3,869	$ 2,789	$ 3,319	$ 7,791
Employee	32,921	9,206	6,659	12,437	20,629
Loans repaid	9,393	1,899	3,151	2,300	12,932
Rollovers from other qualified plans					
Total contributions	54,047	14,974	12,599	18,056	41,352
Earnings on Investments:					
Plan's interest in income of Master Trust	17,627	(88,934)	20,529	27,579	(202,673)
Interest income					
Administrative fees					
Trustee fees	(139)	(37)	(19)	(73)	(82)
Total earnings on investments, net	17,488	(88,971)	20,510	27,506	(202,755)
Net transfers between funds	3,567,424	1,536,328	610,376	1,911,590	1,620,001
Participant withdrawals	(77,445)	(1,499)	(33,514)	(9,747)	(34,460)
New loan distributions	(56,938)	(391)			(9,938)
Net transfers between Plans					
Net increase (decrease)	3,504,576	1,460,441	609,971	1,947,405	1,414,200
Net assets available for benefits at beginning of year	--	--	--	--	--
Net assets available for benefits at end of year	$ 3,504,576	$ 1,460,441	$ 609,971	$ 1,947,405	$ 1,414,200

</TABLE>

See accompanying notes to financial statements

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS, WITH FUND INFORMATION
FOR THE YEAR ENDED OCTOBER 31, 1997

<TABLE>
<CAPTION>

	TOTAL	LOAN FUND	BOND INDEX FUND	FIXED INCOME FUND	U.S. EQUITY INDEX FUND	KELLOGG COMPANY STOCK FUND
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Contributions:						
Employer	$ 5,934,691	$ --	$ 80,574	$ 2,921,957	$ 1,385,918	$ 1,546,242
Employee	15,034,466		223,406	8,100,357	4,300,164	2,410,539
Loans repaid	--	(4,416,624)	83,676	2,464,755	1,063,095	805,098
Rollovers from other qualified plans	165,297		2,726	57,255	44,402	60,914
Total contributions	21,134,454	(4,416,624)	390,382	13,544,324	6,793,579	4,822,793
Earnings on Investments:						
Plan's interest in income of Master Trust	43,932,668		491,218	402,596	22,385,085	20,653,769
Interest income	30,154,510	860,847		29,293,663		
Administrative fees	(31,204)			(31,204)		
Trustee fees	(47,299)		(446)	(35,291)	(6,307)	(5,255)
Total earnings on investments, net	74,008,675	860,847	490,772	29,629,764	22,378,778	20,648,514
Net transfers between funds			(522,539)	(25,462,667)	33,614,370	(7,629,164)
Participant withdrawals	(96,850,090)	(620,010)	(1,020,635)	(80,343,553)	(8,393,711)	(6,472,181)
New loan distributions	--	2,853,202	(58,340)	(1,612,586)	(659,620)	(522,656)
Net transfers between Plans	(158,642)	(20,666)	(8,530)	78,704	69,218	(277,368)
Net increase (decrease)	(1,865,603)	(1,343,251)	(728,890)	(64,166,014)	53,802,614	10,569,938
Net assets available for benefits at beginning of year	629,983,243	10,692,528	6,572,445	481,560,733	63,983,282	67,174,255
Net assets available for benefits at end of year	$ 628,117,640	$ 9,349,277	$ 5,843,555	$ 417,394,719	$ 117,785,896	$ 77,744,193

</TABLE>

See accompanying notes to financial statements

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The Kellogg Company American Federation of 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 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. The following investments exceeded five percent of the net assets available for benefits at October 31, 1998 or 1997:

DESCRIPTION	INTEREST RATE	OCTOBER 31, 1998	OCTOBER 31, 1997
Brundage, Story & Rose Managed Synthetic GIC Fund	Variable	$ -	$ 54,084,310
Putnam Horizon Managed Synthetic GIC Fund	Variable		57,916,613
Allstate Life Ins. GAC #5686A	8.13%		50,073,567
John Hancock GAC #5919-10001	8.82%		28,378,237
John Hancock GAC #7605	7.87%		50,456,501
Metropolitan Life GIC	6.27%		37,049,089
New York Life GAC #3032100	6.72%		43,440,242
Plan's Interest in Master Trust	Variable	604,734,697	208,537,576

During 1998, the Plan's investments in guaranteed insurance contracts were transferred to the Kellogg Company Master Trust.

ALLOCATION OF NET INVESTMENT INCOME TO PARTICIPANTS

Effective August 1, 1998, the method of allocating net investment income to participants changed. Subsequent to that date, net investment income is allocated to participants daily, in proportion to their respective ownership on that day. Prior to August 1, 1998, net investment income related to the respective investment options was allocated monthly to participant accounts in proportion to their respective ownership at the beginning of the month. This change was made concurrent with changes in the Plan that allows participants to make changes to investment elections on a daily basis. Previously, such changes were only permitted on a monthly basis.

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 American Federation of Grain Millers.

PLAN PARTICIPATION

Generally, all Kellogg Company hourly employees belonging to American Federation of Grain Millers Union Local Nos. 3, 50, 211, 252, 374 and 401 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 16 percent of their annual wages. 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. 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 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 FIXED INCOME 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 Index or the receipt of dividend income.

2. PROVISIONS OF THE PLAN (CONTINUED)

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.

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%).

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. 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.

2. PROVISIONS OF THE PLAN (CONTINUED)

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 $3,500 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.

3. INCOME TAX STATUS

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.

4. MASTER TRUST

Assets of the Plan have been combined for investment purposes with assets of the Kellogg Company Salaried Savings and Investment Plan and Kellogg Company sponsored pension plans in a Master Trust.

The Plan has an undivided interest in the net assets held in the 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.

Master Trust net assets at October 31, 1998 and 1997 and the changes in net assets for the periods then ended are as follows:

4. MASTER TRUST (CONTINUED)

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

<TABLE>
<CAPTION>

	PENSION PLANS		SAVINGS & INVESTMENT PLANS	
	10/31/97	10/31/98	10/31/97	10/31/98
<S>	<C>	<C>	<C>	<C>
CASH/EQUIVALENTS:				
Non-Interest Bearing	($ 535,778)	($ 110,637)	($ 32,619)	$ 0
Interest Bearing Cash	$ 2,683,385	($ 98,966)	$ 0	$ 0
TOTAL CASH/EQUIVALENTS	$ 2,147,607	($ 203,885)	($ 32,619)	$ 0
RECEIVABLES	$ 100,949,571	$ 54,319,006	$ 11,609,621	$ 545,837
GENERAL INVESTMENTS:				
Long Term U.S. Gov't Securities	$ 26,106,325	$ 77,973,815	$ 18,251,094	$ 21,817,176
Short Term U.S. Gov't Securities	$ 0	$ 3,796,364	$ 133,414	$ 0
Corporate Debt - Long Term	$ 39,280,506	$ 57,499,636	$ 7,542,524	$ 8,163,564
Corporate Debt - Short Term	$ 3,142,545	$ 38,641,199	$ 100,380	$ 100,018
Corporate Stocks - Preferred	$ 1,697,910	$ 5,120,921	$ 0	$ 0
Corporate Stocks - Convertible	$ 0	$ 922,024	$ 0	$ 0

Corporate Stocks - Common	$ 568,799,792	$ 589,754,595	$ 380,020,756	$ 418,732,477
Shares of Registered Investment Co.	$ 0	$ 6,935,960	$ 0	$ 0
Real Estate Pooled Funds	$ 0	$ 31,667,191	$ 0	$ 0
Value of Interest in Pooled Funds	$ 94,003,448	$ 5,132,335	$ 14,663,025	$ 25,600,238
Guaranteed Investment Contracts	$ 41,790,582	$ 0	$ 0	$ 596,453,446
TOTAL INVESTMENTS	$ 774,821,108	$ 817,444,040	$ 420,711,193	$ 1,070,866,919
TOTAL ASSETS	$ 877,918,286	$ 871,559,161	$ 432,288,195	$ 1,071,412,756
PAYABLES				
Unsettled Trades	($ 103,169,276)	($ 103,673,829)	($ 14,289,335)	($ 121,036)
Investment Service Fees	($ 495,436)	($ 843,282)	($ 96,265)	
TOTAL LIABILITIES	($ 103,664,712)	($ 104,517,111)	($ 14,385,600)	($ 121,036)
NET ASSETS	$ 774,253,574	$ 767,042,050	$ 417,902,595	$ 1,071,291,720
Percentage Interest held by the Plan	0.0%	0.0%	49.9%	56.4%

<CAPTION>

TOTAL

<S>	10/31/97 <C>	10/31/98 <C>
CASH/EQUIVALENTS:		
Non-Interest Bearing	($ 568,397)	($ 110,637)
Interest Bearing Cash	$ 2,683,385	($ 98,966)
TOTAL CASH/EQUIVALENTS	$ 2,114,988	($ 203,885)
RECEIVABLES	$ 112,559,192	$ 54,864,843
GENERAL INVESTMENTS:		
Long Term U.S. Gov't Securities	$ 44,357,419	$ 99,790,991
Short Term U.S. Gov't Securities	$ 133,414	$ 3,796,364
Corporate Debt - Long Term	$ 46,823,030	$ 65,663,200
Corporate Debt - Short Term	$ 3,242,925	$ 38,741,217
Corporate Stocks - Preferred	$ 1,697,910	$ 5,120,921
Corporate Stocks - Convertible	$ 0	$ 922,024
Corporate Stocks - Common	$ 948,820,548	$ 1,008,487,072
Shares of Registered Investment Co.	$ 0	$ 6,935,960
Real Estate Pooled Funds	$ 0	$ 31,667,191
Value of Interest in Pooled Funds	$ 108,666,473	$ 30,732,573
Guaranteed Investment Contracts	$ 41,790,582	$ 596,453,446
TOTAL INVESTMENTS	$ 1,195,532,301	$ 1,888,310,959
TOTAL ASSETS	$ 1,310,206,481	$ 1,942,971,917
PAYABLES		
Unsettled Trades	($ 117,458,611)	($ 103,794,865)
Investment Service Fees	($ 591,701)	($ 843,282)
TOTAL LIABILITIES	($ 118,050,312)	($ 104,638,147)
NET ASSETS	$ 1,192,156,169	$ 1,838,333,770
Percentage Interest held by the Plan	17.5%	32.9%

</TABLE>

NOTES TO FINANCIAL STATEMENTS

4. 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

<TABLE>
<CAPTION>

	PENSION PLANS		SAVINGS & INVESTMENT PLANS	
	10/31/97	10/31/98	10/31/97	10/31/98
<S>	<C>	<C>	<C>	<C>
Transfer of Assets Into Investment Account	$ 187,169,786	$ 255,942,199	$ 441,501,150	$ 983,281,696
Earnings on Investments				
Interest	$ 10,683,275	$ 11,632,552	$ 1,679,043	$ 15,642,346
Dividends	$ 4,790,038	$ 4,119,739	$ 2,409,770	$ 2,870,015
Corporate Actions	$ 86,594	$ 863,853	$ 0	$ 0
Pooled Fund Distributions	$ 2,662,638	($ 1,419,783)	$ 0	$ 0
Miscellaneous	$ 2,762	$ 27,366	$ 0	$ 84,218
Net Realized Gain/(Loss)	$ 84,030,675	$ 60,398,448	$ 10,375,664	$ 144,506,990
TOTAL ADDITIONS	$ 289,425,768	$ 331,564,373	$ 455,965,627	$ 1,146,385,265
Transfer of Assets Out of Investment Account	($ 197,877,441)	($ 301,407,880)	($ 378,952,686)	($ 371,933,159)
Fees and Commissions	($ 1,627,714)	($ 2,981,585)	($ 180,330)	($ 572,075)
TOTAL DISTRIBUTIONS	($ 199,505,155)	($ 304,389,465)	($ 379,133,016)	($ 372,505,234)
Change in Unrealized Appreciation	$ 39,043,479	($ 34,386,432)	$ 72,487,435	($ 120,490,906)
NET CHANGE IN ASSETS	$ 128,964,092	($ 7,211,524)	$ 149,320,046	$ 653,389,125
Net Assets at Beginning of Year	$ 645,289,482	$ 774,253,574	$ 268,582,549	$ 417,902,595
Net Assets at End of Year	$ 774,253,574	$ 767,042,050	$ 417,902,595	$ 1,071,291,720

<CAPTION>

	TOTAL	
	10/31/97	10/31/98
<S>	<C>	<C>
Transfer of Assets Into Investment Account	$ 628,670,936	$ 1,239,223,895
Earnings on Investments		
Interest	$ 12,362,318	$ 27,274,898
Dividends	$ 7,199,808	$ 6,989,754
Corporate Actions	$ 86,594	$ 863,853
Pooled Fund Distributions	$ 2,662,638	($ 1,419,783)
Miscellaneous	$ 2,762	$ 111,584
Net Realized Gain/(Loss)	$ 94,406,339	$ 204,905,438
TOTAL ADDITIONS	$ 745,391,395	$ 1,477,949,638
Transfer of Assets Out of Investment Account	($ 576,830,127)	($ 673,341,039)
Fees and Commissions	($ 1,808,044)	($ 3,553,660)
TOTAL DISTRIBUTIONS	($ 578,638,171)	($ 676,894,699)
Change in Unrealized Appreciation	$ 111,530,914	($ 154,877,338)
NET CHANGE IN ASSETS	$ 278,284,138	$ 646,177,601
Net Assets at Beginning of Year	$ 913,872,031	$ 1,192,156,169
Net Assets at End of Year	$ 1,192,156,169	$ 1,838,333,770

</TABLE>

KELLOGG COMPANY 14
AMERICAN FEDERATION OF GRAIN MILLERS
SAVINGS AND INVESTMENT PLAN

ITEM 27A - SCHEDULE OF ASSETS HELD FOR INVESTMENT PURPOSES - OCTOBER 31, 1998

SECURITY DESCRIPTION	COST	PRICE	MARKET VALUE	UNREALIZED GAIN/LOSS
Loans to participants	$8,205,135	1.00	$8,205,135	$ --
	$8,205,135		$8,205,135	$ --

KELLOGG COMPANY 15
AMERICAN FEDERATION OF GRAIN MILLERS
SAVINGS AND INVESTMENT PLAN

ITEM 27B - SCHEDULE OF LOANS OR FIXED INCOME OBLIGATIONS - OCTOBER 31, 1998

IDENTITY AND ADDRESS OF OBLIGOR	ORIGINAL AMOUNT OF LOAN	AMOUNT RECEIVED DURING REPORTING YEAR		UNPAID BALANCE AT YEAR END	TERMS			AMOUNTS OVERDUE
		PRINCIPAL	INTEREST		LOAN DATE	INTEREST RATE	MATURITY	
Patricia Wyzenski 17673 Heritage Lane Crescent, IA 51526	$44,239	$ 6,016	$ 2,143	$33,819	3/31/97	9.25%	5/31/01	$33,819
Geraldine Mabin 25160 F Drive North Albion, MI 49224	45,000	44,673	356	327	4/30/98	9.50%	7/30/98	327
Judy D. Keith 721 Finley Road Albion, MI 49224	9,000	--	--	5,071	11/\30/94	8.75%	1/31/01	5,071
Mona L. Daniels 54 East Baldwin Street Battle Creek, MI 49017	8,000	--	--	6,621	9/30/94	8.75%	6/30/02	6,621
Kevin T. Glenn P.O. Box 2476 Williamsport, PA 17703	1,000	--	--	1,000	6/30/98	9.51%	7/31/00	1,000
Adell Smith 6796 Valley park Drive Memphis, TN 38115	10,000	1,476	478	5,354	8/31/95	9.75%	12/31/00	5,354
Kim I. Bailey P.O. Box 642061 Omaha, NE 68164	2,500			2,500	11/30/95	9.26%	8/31/02	2,500

KELLOGG COMPANY 16
AMERICAN FEDERATION OF GRAIN MILLERS
SAVINGS AND INVESTMENT PLAN

ITEM 27B - SCHEDULE OF LOANS OR FIXED INCOME OBLIGATIONS - OCTOBER 31, 1998
(CONTINUED)

<TABLE>
<CAPTION>

IDENTITY AND ADDRESS OF OBLIGOR	ORIGINAL AMOUNT OF LOAN	AMOUNT RECEIVED DURING REPORTING YEAR		UNPAID BALANCE AT YEAR END	TERMS			AMOUNTS OVERDUE
		PRINCIPAL	INTEREST		LOAN DATE	INTEREST RATE	MATURITY	
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Deborah A. Myers R.D. #2, Box 273 Hughesville, PA 17737	$ 3,500	$ --	$ --	$ 3,500	6/30/98	9.50%	7/31/03	$ 3,500
Bonita B. Borden 751 E. Fulton Street Lancaster, PA 17602	10,000	--	--	5,415	9/30/94	9.75%	12/31/00	5,415
Loretta A. Willis 99 Fremont St Battle Creek, MI 49017	2,871	476	97	1,126	2/28/95	9.51%	3/31/00	1,126
Mattie L. Jenkins 2005 E. R. Danner Plaza Omaha, NE 68110	4,000	--	--	4,000	3/31/98	9.51%	6/30/03	4,000
Walter D. Schwetz 6320 S. 72nd Ralston, NE 68127	35,000	1,814	774	22,814	12/31/95	9.75%	6/30/01	22,814
Bessie J. Featherton 1355 Royal Oak Cove Memphis, TN 38116	15,000	--	--	9,954	8/31/94	8.25%	7/31/01	9,954
Terri L. Walker 15 Eagle Battle Creek, MI 49017	4,398	--	--	2,961	9/30/94	8.75%	8/31/01	2,961

</TABLE>

KELLOGG COMPANY
AMERICAN FEDERATION OF GRAIN MILLERS
SAVINGS AND INVESTMENT PLAN

ITEM 27D - SCHEDULE OF REPORTABLE TRANSACTIONS - YEAR ENDED OCTOBER 31, 1998 (1)

<TABLE>
<CAPTION>

IDENTITY OF ISSUE	CURRENT VALUE AT TRANSACTION DATE NET PURCHASE PRICE	NET SALES PRICE	COST OF SECURITIES SOLD	NET REALIZED GAIN
<S>	<C>	<C>	<C>	<C>
TBC Inc. Pooled Employee Funds - Daily Liquidity Fund	$ 100,691,423	$ 100,697,423	$ 100,697,423	$ --

</TABLE>

(1) Represents Plan's interest in a transaction (or a series of transactions of the same issue) in excess of five percent of the Plan's assets available at November 1, 1997.

1

EXHIBIT 99.02

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, 1998
COMMISSION FILE NUMBER 1-4171

KELLOGG COMPANY SALARIED
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)

2

KELLOGG COMPANY SALARIED
SAVINGS AND INVESTMENT PLAN
FINANCIAL STATEMENTS
AND ADDITIONAL INFORMATION
OCTOBER 31, 1998

3

KELLOGG COMPANY SALARIED
SAVINGS AND INVESTMENT PLAN

INDEX TO FINANCIAL STATEMENTS AND ADDITIONAL INFORMATION

<TABLE>
<CAPTION>

Item 27d - Schedule of reportable transactions - year ended October 31, 1998 16

</TABLE>

REPORT OF INDEPENDENT ACCOUNTANTS

To the ERISA Finance Committee
and Participants of the Kellogg Company
Salaried 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 Salaried Savings and Investment Plan at October 31, 1998 and 1997, and the changes in net assets available for benefits for the years then ended, in conformity with generally accepted accounting principles. 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 generally accepted auditing standards 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 the opinion expressed above.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The additional information included on pages 14-16 is presented for purposes of additional analysis and is not a required part of the basic financial statements but is additional information required by ERISA. The fund information in the statements of net assets available for benefits and the statements of changes in net assets available for benefits is presented for purposes of additional analysis rather than to present the net assets available for benefits and changes in net assets available for benefits of each fund. The additional information and the fund information have been subjected to the auditing procedures applied in the audit 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.

/s/ PriceWaterhouseCoopers LLP
PRICEWATERHOUSECOOPERS LLP

Battle Creek, Michigan
March 18, 1999

KELLOGG COMPANY SALARIED 2
SAVINGS AND INVESTMENT PLAN

STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS, WITH FUND INFORMATION
OCTOBER 31, 1998

<TABLE>
<CAPTION>

<S>	TOTAL <C>	LOAN FUND <C>	BOND INDEX FUND <C>	FIXED INCOME FUND <C>	U.S. EQUITY INDEX FUND <C>	KELLOGG COMPANY STOCK FUND <C>
ASSETS:						
Receivables:						
Employer contributions	$ 117,351	$ --	$ 5,050	$ 25,693	$ 45,887	$ 34,740
Employee contributions	297,580		14,452	69,700	135,938	57,924
Employee loan repayments	--	(36,455)	1,104	11,420	14,092	8,011
Interest	1,521		37	212	842	422
Total receivables	416,452	(36,455)	20,643	107,025	196,759	101,097

Investments:						
Plan's interest in Master Trust	466,657,474		16,849,994	237,312,736	151,593,421	44,571,805
Loans to participants	4,714,004	4,714,004				
Total investments	471,371,478	4,714,004	16,849,994	237,312,736	151,593,421	44,571,805
Total assets	471,787,930	4,677,549	16,870,637	237,419,761	151,790,180	44,672,902
LIABILITIES:						
Benefits payable	124,349			118,621	5,728	
Investment services fees	321,101		16,667	165,563	97,149	29,232
Total liabilities	445,450	--	16,667	284,184	102,877	29,232
Net assets available for benefits	$471,342,480	$ 4,677,549	$ 16,853,970	$237,135,577	$151,687,303	$ 44,643,670

</TABLE>

See accompanying notes to financial statements

6

KELLOGG COMPANY SALARIED
SAVINGS AND INVESTMENT PLAN

STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS, WITH FUND INFORMATION
OCTOBER 31, 1998 (CONTINUED)

<TABLE>
<CAPTION>

<S>	LARGE COMPANY EQUITY FUND <C>	SMALL COMPANY EQUITY FUND <C>	INTERNATIONAL EQUITY FUND <C>	CONSERVATIVE PRE-MIXED FUND <C>	AGGRESSIVE PRE-MIXED FUND <C>
ASSETS:					
Receivables:					
Employer contributions	$ 2,118	$ 1,141	$ 825	$ 588	$ 1,309
Employee contributions	6,911	3,891	2,559	2,035	4,170
Employee loan repayments	1,031	347	224	172	62
Interest					
Total receivables	10,060	5,379	3,608	2,795	5,541
Investments:					
Plan's interest in Master Trust	5,186,415	2,739,634	1,569,488	3,581,656	3,252,325
Loans to participants					
Total investments	5,186,415	2,739,634	1,569,488	3,581,656	3,252,325
Total assets	5,196,475	2,745,013	1,573,096	3,584,451	3,257,866
LIABILITIES:					
Benefits payable					
Investment services fees	4,026	2,039	1,411	2,589	2,425
Total liabilities	4,026	2,039	1,411	2,589	2,425
Net assets available for benefits	$5,192,449	$2,742,974	$1,571,685	$3,581,862	$3,255,441

</TABLE>

See accompanying notes to financial statements

7

KELLOGG COMPANY SALARIED
SAVINGS AND INVESTMENT PLAN

STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS, WITH FUND INFORMATION
OCTOBER 31, 1997

<TABLE>
<CAPTION>

<S>	TOTAL	LOAN FUND	BOND INDEX FUND	FIXED INCOME FUND	U.S. EQUITY INDEX FUND	KELLOGG COMPANY STOCK FUND
ASSETS:						
Receivables:						
Employer contributions	$ 427,924	$ --	$ 15,699	$ 101,037	$ 200,915	$ 110,273
Employee contributions	266,297			266,297		
Interest	4,242			4,242		
Total receivables	698,463	--	15,699	371,576	200,915	110,273
Investments:						
Plan's interest in Master Trust	209,461,284		10,510,300	13,236,293	134,577,719	51,136,972
Guaranteed investment contracts	234,272,998			234,272,998		
Loans to participants	4,696,214	4,696,214				
TBC Pooled Funds Daily Liquidity	20,922			20,922		
Total investments	448,451,418	4,696,214	10,510,300	247,530,213	134,577,719	51,136,972
Total assets	449,149,881	4,696,214	10,525,999	247,901,789	134,778,634	51,247,245
LIABILITIES:						
Investment services fees	55,869		1,573	22,216	30,553	1,527
Net assets available for benefits	$449,094,012	$ 4,696,214	$ 10,524,426	$247,879,573	$134,748,081	$ 51,245,718

</TABLE>

See accompanying notes to financial statements

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS, WITH FUND INFORMATION
FOR THE YEAR ENDED OCTOBER 31, 1998

<TABLE>
<CAPTION>

<S>	TOTAL	LOAN FUND	BOND INDEX FUND	FIXED INCOME FUND	U.S. EQUITY INDEX FUND	KELLOGG COMPANY STOCK FUND
Contributions:						
Employer	$ 7,026,760	$ --	$ 288,086	$ 1,591,419	$ 3,211,632	$ 1,845,034
Employee	16,315,254		810,657	3,819,005	8,441,530	3,062,518
Loans repaid	1,521	(2,767,734)	88,772	896,009	1,186,695	568,734
Rollovers from other qualified plans	2,078,031		141,408	369,562	1,007,585	486,698
Total contributions	25,421,566	(2,767,734)	1,328,923	6,675,995	13,847,442	5,962,984
Earnings on Investments:						
Plan's interest in income of Master Trust	25,921,688		1,507,256	5,900,659	28,781,742	(10,476,779)
Interest income	10,137,312	438,616		9,698,696		
Trustee fees	(48,766)		(1,162)	(26,908)	(14,988)	(5,708)
Administrative fees	(587,747)		(25,050)	(309,570)	(173,873)	(62,612)
Total earnings on investments, net	35,743,588	438,616	1,481,044	15,262,877	28,592,881	(10,545,099)
Net transfers between funds	--		4,758,562	(5,754,246)	(15,529,550)	660,962
Participant withdrawals	(38,759,279)	(236,743)	(1,136,875)	(26,127,289)	(8,946,400)	(2,259,426)
New loans distributions	--	2,513,955	(82,343)	(759,436)	(1,117,413)	(521,324)
Net transfers between Plans	163,694	33,241	(19,767)	(41,897)	92,262	99,855
Net increase (decrease)	22,248,468	(18,665)	6,329,544	(10,743,996)	16,939,222	(6,602,048)
Net assets available for benefits at beginning of year	449,094,012	4,696,214	10,524,426	247,879,573	134,748,081	51,245,718

Net assets available for benefits at end of year	$ 471,342,480	$ 4,677,549	$ 16,853,970	$ 237,135,577	$ 151,687,303	$ 44,643,670

</TABLE>

See accompanying notes to financial statements

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS, WITH FUND INFORMATION
FOR THE YEAR ENDED OCTOBER 31, 1998 (CONTINUED)

<TABLE>
<CAPTION>

<S>	LARGE COMPANY EQUITY FUND <C>	SMALL COMPANY EQUITY FUND <C>	INTERNATIONAL EQUITY FUND <C>	CONSERVATIVE PRE-MIXED FUND <C>	AGGRESSIVE PRE-MIXED FUND <C>
Contributions:					
Employer	$ 32,114	$ 21,306	$ 13,513	$ 11,322	$ 12,334
Employee	58,645	34,852	21,982	13,771	52,294
Loans repaid	9,372	4,075	3,077	7,686	4,835
Rollovers from other qualified plans	17,870	1,797		45,524	7,587
Total contributions	118,001	62,030	38,572	78,303	77,050
Earnings on Investments:					
Plan's interest in income of Master Trust	133,144	(61,486)	30,405	78,621	28,126
Interest income					
Trustee fees					
Administrative fees	(5,553)	(2,615)	(1,763)	(3,509)	(3,202)
Total earnings on investments, net	127,591	(64,101)	28,642	75,112	24,924
Net transfers between funds	4,972,289	2,749,194	1,521,582	3,433,950	3,187,257
Participant withdrawals	(20,544)	(2,965)	(16,388)	(3,837)	(8,812)
New loan distributions	(4,888)	(1,184)	(723)	(1,666)	(24,978)
Net transfers between Plans					
Net increase (decrease)	5,192,449	2,742,974	1,571,685	3,581,862	3,255,441
Net assets available for benefits at beginning of year	--	--	--	--	--
Net assets available for benefits at end of year	$ 5,192,449	$ 2,742,974	$ 1,571,685	$ 3,581,862	$ 3,255,441

</TABLE>

See accompanying notes to financial statements

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS, WITH FUND INFORMATION
FOR THE YEAR ENDED OCTOBER 31, 1997

<TABLE>
<CAPTION>

<S>	TOTAL <C>	LOAN FUND <C>	BOND INDEX FUND <C>	FIXED INCOME FUND <C>	U.S. EQUITY INDEX FUND <C>	KELLOGG COMPANY STOCK FUND <C>
Contributions:						
Employer	$ 5,720,190	$ --	$ 227,627	$ 1,704,900	$ 2,305,661	$ 1,482,002

Employee	13,930,880		612,257	4,537,488	6,567,524	2,213,611
Loans repaid	--	(2,504,968)	72,536	976,226	981,527	474,679
Rollovers from other qualified plans	3,258,456	132,940	231,832	512,818	1,693,361	687,505
Total contributions	22,909,526	(2,372,028)	1,144,252	7,731,432	11,548,073	4,857,797
Earnings on Investments:						
Plan's interest in income of Master Trust	42,838,918		846,887	877,745	28,602,004	12,512,282
Interest income	16,935,316	406,769		16,528,547		
Trustee fees	(16,540)		(380)	(10,980)	(3,575)	(1,605)
Administrative fees	(210,509)		(4,370)	(142,590)	(45,761)	(17,788)
Total earnings on investments, net	59,547,185	406,769	842,137	17,252,722	28,552,668	12,492,889
Net transfers between funds			164,008	(15,749,040)	15,499,371	85,661
Participant withdrawals	(36,330,356)	(189,123)	(886,131)	(28,472,787)	(4,524,626)	(2,257,689)
New loans distributions	--	2,179,693	(89,823)	(880,617)	(839,830)	(369,423)
Net transfers between Plans	158,642	20,666	2,038	115,089	(9,432)	30,281
Net increase (decrease)	46,284,997	45,977	1,176,481	(20,003,201)	50,226,224	14,839,516
Net assets available for benefits at beginning of year	402,809,015	4,650,237	9,347,945	267,882,774	84,521,857	36,406,202
Net assets available for benefits at end of year	$ 449,094,012	$ 4,696,214	$ 10,524,426	$ 247,879,573	$ 134,748,081	$ 51,245,718

</TABLE>

See accompanying notes to financial statements

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING

The Kellogg Company Salaried 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.

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. The following investments exceeded five percent of the net assets available for benefits at October 31, 1998 or 1997:

<TABLE>
<CAPTION>

DESCRIPTION	INTEREST RATE	OCTOBER 31, 1998	1997
<S>	<C>	<C>	<C>
Putnam Horizon Managed Synthetic GIC Fund	Variable	$ -	$ 31,701,110
Brundage Story & Rose Managed Synthetic GIC Fund	Variable		32,009,730
Allstate Life Ins. GAC #5686-01	8.13%		28,210,134
John Hancock GAC #7606	7.87%		27,302,372
New York Life GAC #30320002	6.72%		32,347,720
Plan's interest in Master Trust	Variable	466,657,474	209,461,284

</TABLE>

During 1998, the Plan's investments in guaranteed insurance contracts were transferred to the Kellogg Company Master Trust.

ALLOCATION OF NET INVESTMENT INCOME TO PARTICIPANTS

Subsequent to August 1, 1998, net investment income is allocated to participants daily, in proportion to their respective ownership on that day. Prior to August 1, 1998, net investment income related to the respective investment options was allocated monthly to participant accounts in proportion to their respective ownership at the beginning of the month. This change was made concurrent with changes in the Plan that allows participants to make changes to investment elections on a daily basis. Previously, such changes were only permitted on a monthly basis.

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 Administrative Committee appointed by Kellogg Company.

PLAN PARTICIPATION

Generally, all salaried employees of Kellogg Company and its U.S. subsidiaries 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 16 percent of their annual wages. 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. 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 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 FIXED INCOME 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 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.

---

2. PROVISIONS OF THE PLAN (CONTINUED)

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.

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%).

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. 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.

---

2. PROVISIONS OF THE PLAN (CONTINUED)

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 $3,500 the terminated participant will re6ceive 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.

3. INCOME TAX STATUS

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.

4. MASTER TRUST

Assets of the Plan have been combined for investment purposes with assets of the Kellogg Company American Federation of Grain Millers Savings and Investment Plan and Kellogg Company sponsored pension plans in a Master Trust.

The Plan has an undivided interest in the net assets held in the 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.

Master Trust net assets at October 31, 1998 and 1997 and the changes in net assets for the periods then ended are as follows:

4. MASTER TRUST (CONTINUED)

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

<TABLE>
<CAPTION>

	PENSION PLANS		SAVINGS & INVESTMENT PLANS	
	10/31/97	10/31/98	10/31/97	10/31/98
<S>	<C>	<C>	<C>	<C>
CASH/EQUIVALENTS:				
Non-Interest Bearing	($ 535,778)	($ 110,637)	($ 32,619)	$ 0
Interest Bearing Cash	$ 2,683,385	($ 98,966)	$ 0	$ 0
TOTAL CASH/EQUIVALENTS	$ 2,147,607	($ 203,885)	($ 32,619)	$ 0
RECEIVABLES	$ 100,949,571	$ 54,319,006	$ 11,609,621	$ 545,837
GENERAL INVESTMENTS:				
Long Term U.S. Gov't Securities	$ 26,106,325	$ 77,973,815	$ 18,251,094	$ 21,817,176
Short Term U.S. Gov't Securities	$ 0	$ 3,796,364	$ 133,414	$ 0
Corporate Debt - Long Term	$ 39,280,506	$ 57,499,636	$ 7,542,524	$ 8,163,564
Corporate Debt - Short Term	$ 3,142,545	$ 38,641,199	$ 100,380	$ 100,018
Corporate Stocks - Preferred	$ 1,697,910	$ 5,120,921	$ 0	$ 0
Corporate Stocks - Convertible	$ 0	$ 922,024	$ 0	$ 0
Corporate Stocks - Common	$ 568,799,792	$ 589,754,595	$ 380,020,756	$ 418,732,477
Shares of Registered Investment Co.	$ 0	$ 6,935,960	$ 0	$ 0
Real Estate Pooled Funds	$ 0	$ 31,667,191	$ 0	$ 0
Value of Interest in Pooled Funds	$ 94,003,448	$ 5,132,335	$ 14,663,025	$ 25,600,238
Guaranteed Investment Contracts	$ 41,790,582	$ 0	$ 0	$ 596,453,446
TOTAL INVESTMENTS	$ 774,821,108	$ 817,444,040	$ 420,711,193	$ 1,070,866,919
TOTAL ASSETS	$ 877,918,286	$ 871,559,161	$ 432,288,195	$ 1,071,412,756
PAYABLES				
Unsettled Trades	($ 103,169,276)	($ 103,673,829)	($ 14,289,335)	($ 121,036)
Investment Service Fees	($ 495,436)	($ 843,282)	($ 96,265)	
TOTAL LIABILITIES	($ 103,664,712)	($ 104,517,111)	($ 14,385,600)	($ 121,036)
NET ASSETS	$ 774,253,574	$ 767,042,050	$ 417,902,595	$ 1,071,291,720
Percentage Interest held by the Plan	0.0%	0.0%	50.1%	43.6%

<CAPTION>

	TOTAL	
	10/31/97	10/31/98
<S>	<C>	<C>
CASH/EQUIVALENTS:		
Non-Interest Bearing	($ 568,397)	($ 110,637)
Interest Bearing Cash	$ 2,683,385	($ 98,966)
TOTAL CASH/EQUIVALENTS	$ 2,114,988	($ 203,885)
RECEIVABLES	$ 112,559,192	$ 54,864,843
GENERAL INVESTMENTS:		
Long Term U.S. Gov't Securities	$ 44,357,419	$ 99,790,991
Short Term U.S. Gov't Securities	$ 133,414	$ 3,796,364
Corporate Debt - Long Term	$ 46,823,030	$ 65,663,200
Corporate Debt - Short Term	$ 3,242,925	$ 38,741,217
Corporate Stocks - Preferred	$ 1,697,910	$ 5,120,921
Corporate Stocks - Convertible	$ 0	$ 922,024
Corporate Stocks - Common	$ 948,820,548	$ 1,008,487,072
Shares of Registered Investment Co.	$ 0	$ 6,935,960
Real Estate Pooled Funds	$ 0	$ 31,667,191
Value of Interest in Pooled Funds	$ 108,666,473	$ 30,732,573
Guaranteed Investment Contracts	$ 41,790,582	$ 596,453,446
TOTAL INVESTMENTS	$ 1,195,532,301	$ 1,888,310,959
TOTAL ASSETS	$ 1,310,206,481	$ 1,942,971,917
PAYABLES		
Unsettled Trades	($ 117,458,611)	($ 103,794,865)
Investment Service Fees	($ 591,701)	($ 843,282)
TOTAL LIABILITIES	($ 118,050,312)	($ 104,638,147)
NET ASSETS	$ 1,192,156,169	$ 1,838,333,770
Percentage Interest held by the Plan	17.6%	25.4%

</TABLE>

NOTES TO FINANCIAL STATEMENTS

4. 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

<TABLE>
<CAPTION>

	PENSION PLANS		SAVINGS & INVESTMENT PLANS	
	10/31/97	10/31/98	10/31/97	10/31/98
<S>	<C>	<C>	<C>	<C>
Transfer of Assets Into Investment Account	$ 187,169,786	$ 255,942,199	$ 441,501,150	$ 983,281,696
Earnings on Investments				
Interest	$ 10,683,275	$ 11,632,552	$ 1,679,043	$ 15,642,346
Dividends	$ 4,790,038	$ 4,119,739	$ 2,409,770	$ 2,870,015
Corporate Actions	$ 86,594	$ 863,853	$ 0	$ 0
Pooled Fund Distributions	$ 2,662,638	($ 1,419,783)	$ 0	$ 0
Miscellaneous	$ 2,762	$ 27,366	$ 0	$ 84,218
Net Realized Gain/(Loss)	$ 84,030,675	$ 60,398,448	$ 10,375,664	$ 144,506,990
TOTAL ADDITIONS	$ 289,425,768	$ 331,564,373	$ 455,965,627	$ 1,146,385,265
Transfer of Assets Out of Investment Account	($ 197,877,441)	($ 301,407,880)	($ 378,952,686)	($ 371,933,159)
Fees and Commissions	($ 1,627,714)	($ 2,981,585)	($ 180,330)	($ 572,075)

TOTAL DISTRIBUTIONS	($ 199,505,155)	($ 304,389,465)	($ 379,133,016)	($ 372,505,234)
Change in Unrealized Appreciation	$ 39,043,479	($ 34,386,432)	$ 72,487,435	($ 120,490,906)
NET CHANGE IN ASSETS	$ 128,964,092	($ 7,211,524)	$ 149,320,046	$ 653,389,125
Net Assets at Beginning of Year	$ 645,289,482	$ 774,253,574	$ 268,582,549	$ 417,902,595
Net Assets at End of Year	$ 774,253,574	$ 767,042,050	$ 417,902,595	$ 1,071,291,720

<CAPTION>

	TOTAL	
	10/31/97	10/31/98
<S>	<C>	<C>
Transfer of Assets Into Investment Account	$ 628,670,936	$ 1,239,223,895
Earnings on Investments		
Interest	$ 12,362,318	$ 27,274,898
Dividends	$ 7,199,808	$ 6,989,754
Corporate Actions	$ 86,594	$ 863,853
Pooled Fund Distributions	$ 2,662,638	($ 1,419,783)
Miscellaneous	$ 2,762	$ 111,584
Net Realized Gain/(Loss)	$ 94,406,339	$ 204,905,438
TOTAL ADDITIONS	$ 745,391,395	$ 1,477,949,638
Transfer of Assets Out of Investment Account	($ 576,830,127)	($ 673,341,039)
Fees and Commissions	($ 1,808,044)	($ 3,553,660)
TOTAL DISTRIBUTIONS	($ 578,638,171)	($ 676,894,699)
Change in Unrealized Appreciation	$ 111,530,914	($ 154,877,338)
NET CHANGE IN ASSETS	$ 278,284,138	$ 646,177,601
Net Assets at Beginning of Year	$ 913,872,031	$ 1,192,156,169
Net Assets at End of Year	$ 1,192,156,169	$ 1,838,333,770

</TABLE>

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KELLOGG COMPANY SALARIED 14
SAVINGS AND INVESTMENT PLAN

ITEM 27A - SCHEDULE OF ASSETS HELD FOR INVESTMENT PURPOSES - OCTOBER 31, 1998

<TABLE>
<CAPTION>

SECURITY DESCRIPTION	COST	PRICE	MARKET VALUE	UNREALIZED GAIN/LOSS
<S>	<C>	<C>	<C>	<C>
Loans to participants	$4,677,549	1.00	$4,677,549	$ --

</TABLE>

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KELLOGG COMPANY SALARIED 15
SAVINGS AND INVESTMENT PLAN

ITEM 27B - SCHEDULE OF LOANS OR FIXED INCOME OBLIGATIONS - OCTOBER 31, 1998

<TABLE>
<CAPTION>

IDENTITY AND ADDRESS OF OBLIGOR	ORIGINAL AMOUNT OF LOAN	AMOUNT RECEIVED DURING REPORTING YEAR		UNPAID BALANCE AT YEAR END	TERMS			
		PRINCIPAL	INTEREST		LOAN DATE	INTEREST RATE	MATURITY	AMOUNTS OVERDUE
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Richard D. Chaney	$4,000	$ 191	$ 3	$ 78	11/30/92	6.00%	7/30/98	$ 78

RR 3, Box 220 Sullivan, IL 61951								
James Earl McGehee 2310 Cowan Loop Moscow, TN 38057	6,000	--	--	5,413	2/29/96	9.50%	2/28/01	5,413
Darrell D. Glover 11 North Broad Battle Creek, MI 49017	4,174	--	--	3,610	11/30/95	9.76%	8/31/02	3,610
Rebecca L. Dawson 1129 N. Jackson Street, 13 Milwaukee, WI 53202	6,000	634	124	2,657	9/30/95	9.75%	1/31/00	2,657
Janette R. Jeffries 3124 Kings Canyon Drive Plano, TX 75025	4,000	350	153	3,650	10/31/97	9.51%	1/31/02	3,650
Martha M. Misenheimer 2413 Shelby Mattoon, IL 61938	2,000	90	4	62	11/1/94	7.75%	7/30/98	62
William J. Snowden 1301 S. 17th Mattoon, IL 61938	1,200	420	15	2	5/30/96	8.75%	7/30/98	2

</TABLE>

ITEM 27D - SCHEDULE OF REPORTABLE TRANSACTIONS - YEAR ENDED OCTOBER 31, 1998 (1)

<TABLE>
<CAPTION>

IDENTITY OF ISSUE	CURRENT VALUE AT TRANSACTION DATE NET PURCHASE PRICE	NET SALES PRICE	COST OF SECURITIES SOLD	NET REALIZED GAIN
<S>	<C>	<C>	<C>	<C>
TBC Inc., Pooled Employee Funds - Daily Liquidity Fund	$55,780,034	$55,800,956	$55,800,956	$--

</TABLE>

(1) Represents Plan's interest in a transaction (or a series of transactions of the same issue) in excess of five percent of the Plan's assets available at November 1, 1997.